

# **State of Iowa Agency Reports on Tax Credits**

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# **Accelerated Career Education Program (ACE) (260G)**

## **Iowa Department of Economic Development and Department of Education**

**Description:** The purpose of the Accelerated Career Education Program (ACE) is to assist Iowa's Community Colleges to establish or expand programs that train individuals in the occupations most needed by Iowa businesses. The ACE program allows participating companies to divert a portion of the company's current Iowa individual income withholding tax, based on the number of seats in a training program sponsored by a company. Businesses participating in the program divert taxes equivalent to 10 percent of the hiring wage that a sponsoring business would pay to an individual that completes the programs' requirements (with a minimum wage level of no less than 200 percent of the federal poverty guideline for a family of two). The diversion goes to the community college over the life of the agreement (usually five years).

Businesses enter into an agreement with a community college to sponsor a portion or all of the positions created by the establishment or expansion of a current educational program. By sponsoring open positions, the company agrees to consider the student for employment upon completion of their training. Businesses provide a 20 percent match of the program costs pro-rated by the percentage of seats sponsored. Multiple businesses can participate in the training program and the match requirement is divided among the sponsoring businesses to meet the 20 percent requirement. The credit may be claimed against withholding tax.

**Year Enacted:** 2000

**Effective Date:** July 1, 2000

**Legislative Act:** Senate File 2439

**Code Citation(s):** Section 260G, Section 422.16

**Sunset Date:** None

### **Major Provisions:**

**Awarded or Automatic –** Awarded

**Transferable –** No

**Refundable –** No

**Carry Forward –** No

**Benefits and Costs:** Annual program job credit cap is \$6,000,000. Funds are allocated among the community colleges based on an established need based ratio per the administrative rules. Community college fund commitments are due to IDED by April 1. Uncommitted funds can be allocated to other community colleges.

**Table 1. ACE Training Results by Fiscal Year**

Fiscal Year	Award Amount	Number of Positions Sponsored	Number of Students Who Complete Program	Students Hired by Sponsored or Non-sponsored Business	Average Wage	Average Training Cost Per Student Hired	Average Training Cost Per Students Completing Program
2006	\$5,939,662	2602	1096	435	\$14.41	\$13,654	\$5419
2007	\$5,993,805	2444	1461	386	\$16.30	\$15,528	\$4102
2008	\$5,823,506	2309	1349	350	\$15.82	\$16,638	\$4316

**Information Disclosure:** Information on the ACE program and the approved program agreements are available in IDED's annual report on the website. Code requires that a customer tracking system be implemented by Iowa workforce development using the social security numbers of all ACE program trainees. The system was not implemented because of issues with collection and release of employee information. As of November 1, 2009, all 15 community colleges have signed agreements with IWD to develop reports using the Unemployment Insurance (UI) database. Data currently reported to IDED: award amounts, number of signed agreements and positions sponsored; number of completers, positions offered, hired, average wage, company match, amount of withholding sent to CC, number hired outside of sponsored by business.

**Oversight Responsibility:** A program agreement must be rated according to the Code criteria by the community college and must receive at least 18 points out of 28 total possible points to receive tax credits. IDED may approve or decline the program agreement if it does not meet the minimum points. The program agreement is presented to the community college board for final approval. IDED staff rate the program agreement; the award letter has fiscal review and is signed by the Director. The employer and community college certify to the Department of Revenue that the program job credit and amount of credit complies with the agreement.

**Table 2. ACE Tax Credit Awards and Tax Credit Claims by Fiscal Year**

Fiscal Year	Tax Credits Awarded	Amount of Tax Credits Applied in Current Fiscal Year	Number of Tax Payers
2006	\$5,939,662	\$4,299,126	117
2007	\$5,993,805	\$4,299,126	108
2008	\$5,823,506		

**Table 3. ACE Tax Credit Historic Claims by Fiscal Year**

Fiscal Year	Total
2007	\$4,882,119
2008	\$4,441,325
2009	\$3,835,347

**Table 4 ACE Tax Credit Expected Claims by Fiscal Year**

Fiscal Year	Total
2010	\$6,000,000
2011	\$6,000,000
2012	\$6,000,000
2013	\$6,000,000
2014	\$6,000,000

**Estimated Timing of Claims and Impact of Potential Law Change:**

Because of the extended contracts based upon which these credits are claimed (maximum of 5 years), any legislative change to this program for the 2010 tax year will likely have a minimal impact on fiscal year 2011 or fiscal year 2012 claims.

**Summary:** Based on the current reporting system, the ACE program cannot be analyzed to determine program performance. The 260G code requires that a customer tracking system be implemented by Iowa workforce development but the tracking system was not implemented because of issues with collection of and release of employee information. The community colleges now have agreements with IWD to develop reports using the Unemployment Insurance (UI) database. The IDED does not have the data reported to verify the program requirements were met to analyze performance of the program:

- Program job positions and program job wages agreed to in the employer agreement.
- Program positions paying at least 200 percent of the poverty level for a family of two.
- Documented plans to transition students from training/probationary wages to permanent full-time wages
- Report the number of students receiving a certificate, diploma, AA degrees or credit-equivalent certificate.
- Employers with more than four sponsored participants, certification that a job offer will be made to at least 25 percent of students completing the program

In reviewing the training results for fiscal years 2006 - 2008, the employers' sponsored training slots do not closely match the students hired. A total of 5015 training slots were sponsored, 3906 students (78%) completed training and 1,171 were hired (23% of total slots). The training cost per student hired ranged from \$13,654 to \$16,638.

Money is also available from the Grow Iowa Values Fund (GIVF) and the funds may be used for program operating costs of an approved ACE project. These funds may be used in lieu of program job credits or in addition to program job credits. The IDED is not involved in the review/approval of program agreements for ACE projects funded through the GIVF. A total of \$725,513 in GIVF was used for ACE programs in fiscal years 2006 - 2008.

While not a tax credit program, there is a second component of the ACE program, capitol costs, that provides funds for necessary infrastructure construction. The fund receives an annual appropriation of \$5,500,000 that is divided equally among the 15 colleges (\$366,666 each.) The community college submits an application that has been approved by their college trustees to IDED staff to review and forward to the IDED Board for approval. As stated in the administrative rules, ACE program capital cost projects must enhance the geographic diversity of state investment in Iowa. The IDED board will review projects to ensure that there is statewide impact. The IDED Board will prioritize

project to ensure geographic diversity. There are no guidelines in place do this review as part of IDED's approval process.

# Agricultural Asset Transfer Tax Credit

## Iowa Agricultural Development Authority

**Description:** A tax credit is allowed for agricultural assets that are subject to a lease or rental agreement. The renter must qualify as a beginning farmer as defined in Code section 175.12 & IAC 25-6.3(175). The lease must be for a term of at least two years, but not more than five years. The tax credit equals 5 percent of the amount paid to the taxpayer under a cash rental agreement or 15 percent of the amount paid to the taxpayer from crops or animals sold under an agreement in which the payment is exclusively made from the sale of crops or animals.

The lease or rental agreement may be terminated by either the taxpayer or the beginning farmer. If the Iowa Agricultural Development Authority (IADA) determines that the taxpayer is not at fault for the termination, the Authority will not issue a tax credit certificate for subsequent years, but any prior tax credit certificates issued will be allowed. If the Authority determines that the taxpayer is at fault for the termination, any prior tax credit certificates issued will be disallowed, and the tax credits can be recaptured by the Department of Revenue. There is an annual cap of \$6,000,000 that can be issued in any calendar year.

The credit may be claimed against either individual income tax.

**Year Enacted:** 2006

**Effective Date:** January 1, 2007

**Legislative Act:** Senate File 2268

**Code Citation(s):** Chapter 175.37

**Sunset Date:** None

### Major Provisions:

**Awarded or Automatic** – Awarded

**Transferable** - No

**Refundable** – No

**Carry Forward** – Yes, Unused credits can be carried forward 5 years

**Benefits (including Return on Investment) and Costs:** The program provides an incentive for agricultural asset owners to rent their assets to beginning farmers, thus allowing beginning farmer's access to assets they might not otherwise have. Providing opportunity to beginning farmers assures future generations of agricultural producers and taxpayers. The program also provides for an additional incentive for crop share rental agreements, which reduces the upfront capital required by the beginning farmer providing for a greater chance for success.

Since the inception of the program, the program has provided opportunity to nearly 600 aspiring beginning farmers.

While a tax credit is granted to the asset owner, the beginning farmer is paying Iowa income tax on the revenue generated from the rental of the asset. Based on 2004 data,

it appears that the income tax being paid by the beginning farmer offsets the tax credit the asset owner receives.

The tax credit is 5% of the cash rent paid under the terms of the lease for cash rental agreements and 15% of the value of the owner's share of the crop for a crop share lease.

The program is administered 100% by user fees. No general fund monies are used to administer the program.

**Information Currently Disclosed to the Public about the Tax Credit:** Any information not deemed confidential (i.e. social security numbers, financial statements) are made available to the public as requested.

**Oversight Responsibility and Description of Oversight/Regulation Process:** IADA Board of Directors

The IADA Board of Directors reviews and approves each application. In addition, the USDA/FSA Abbreviated 156 form is required with each application. This form verifies the number of acres in the tract subject to the lease. It also verifies the owner of the tract as well as the operator of record.

Monthly IADA staff verifies with the Iowa Department of Natural Resources (DNR) that the landowner does not have enforcement action pending against them with DNR. For crop share leases, the acres harvested by the landowner are cross referenced against the acres on the lease.

Annually, the beginning farmer is required to submit a copy of their IRS Schedule F. This form verifies they had farm income and expenses as well as verifies they paid cash rent (if applicable). For cash rental agreements, the rent paid by the farmer on the Schedule F is cross referenced with the lease.

A database is maintained for all active and expired projects. At a minimum of annually, each file is reviewed for accuracy, compliance with program rules and cross referenced with the database for accuracy.

**Award Details by Award/Tax Year:**

Award Year	Number	Average	Minimum	Maximum	Total
2007	300	\$4,769	\$124	\$29,274	\$1,270,402
2008	488	\$4,452	\$ 62	\$35,457	\$2,216,397

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

Award Year	Amount Issued	Amount Redeemed	Amount Carried Forward
2007	\$1,270,402	\$650,224	\$620,882
2008	Claim data not available from the Dept. of Revenue		



**Historic Claims Table by Fiscal Year:**

2007 & 2008 are the only calendar years in which certificates were issued & redeemed.  
2008 claimed information not yet available from the Department of Revenue.

**Expected Future Claims by Fiscal Year:**Department of Revenue Estimate

<u>Fiscal Year</u>	<u>Total</u>
2010	\$1,791,175
2011	\$2,131,268
2012	\$2,590,769
2013	\$3,163,303
2014	\$3,879,288

IADA Estimate

<u>Fiscal Year</u>	
2010	\$1,700,000
2011	\$1,800,000
2012	\$1,800,000
2013	\$1,800,000
2014	\$1,800,000

The Department of Revenue (DOR) estimates assumes a steady growth in new applications each year. This assumption is not correct as each year about 25% of the applications expire. History has shown us that we have now stabilized in the number of active projects. 2007 & 2008 experienced rapid growth due to the program being new.

**Estimated Timing of Claims and Impact of Potential Law Change:**

Based on claims data available from the IA 148, filed starting with tax year 2006 returns, it is estimated that 50 percent of claims for this credit are made in the first fiscal year following the tax year for which the claim is made, 15 percent are made in the second fiscal year following the tax year, and 15 percent in the third fiscal year after the tax year. These numbers will change as more claims data becomes available.

Therefore, 15 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011, and YY percent will be attributed to fiscal year 2012.

# Assistive Device Tax Credit

## Iowa Department of Economic Development

### Description:

A taxpayer who is a small business that purchases, rents, or modifies an assistive device or makes workplace modifications for an individual with a disability who is employed or will be employed by the small business is eligible for this credit. The credit is limited to 50 percent of the first \$5,000 paid for the assistive device or workplace modification. In order to be eligible to receive the assistive device tax credit, a small business must:

- Be located in the state of Iowa.
- Employ no more than 14 full-time employees or have gross receipts of no more than \$3 million during its preceding tax year.
- Purchase, rent, or modify an assistive device or make workplace modifications for an individual with a disability who is employed or will be employed by the business.

The credit may be claimed against corporate or individual income tax.

**Year Enacted:** 2000

**Effective Date:** January 1, 2000

**Legislative Act:** House File 2560

**Code Citation(s):** Section 422.33 (9)

**Sunset Date:** None

### Major Provisions:

**Awarded or Automatic** – Awarded

**Transferable** – No

**Refundable** – Yes

**Carry Forward** – No

**Benefits and Costs:** This program provides partial reimbursement to an employer who invests in modifications or other accommodations that provide jobs or enhance the working environment for persons with disabilities. One award has been made from this program since its inception in 2000.

**Information Disclosure:** Program information is available on the Iowa Department of Economic Development website at

[http://iowalifechanging.com/business/assistive\\_taxcredit.aspx](http://iowalifechanging.com/business/assistive_taxcredit.aspx) .

**Oversight Responsibility:** The applicant businesses submits an application to the Department of Economic Development (IDED). The IDED Business Development Finance team reviews the application for completeness and content. The small business liaison for the IDED will make the final decision on all awards. All applicants who meet the criteria set forth in the Iowa Code will receive an award. The IDED will transmit to the applicant a letter that either provides the basic reason for denial, or provides the certificate of entitlement.

The IDED reserves the right to monitor the recipient's records to ensure compliance with all program requirements.

**Award Details by Award Year:**

There has only been one award made through this program, which was in July 2001 for \$897.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

There have been no awards for the Assistive Device Tax Credit that could be claimed in either tax year 2006 or 2007, however, two claims were made in tax year 2007 (see Table 3 below). These erroneous claims have been reported to the Iowa Department of Revenue Compliance Division.

**Table 3. Assistive Device Tax Credit Claim Table for Tax Year 2007**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Individual Income Tax</b>	2	\$520
<b>Total</b>	2	\$520

**Historic Claims Table by Fiscal Year:**

**Table 4. Assistive Device Tax Credit Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2007	\$0
2008	\$520
2009	\$827

Note: These claims are erroneous and have been report to the Department of Revenue Compliance Division

**Expected Future Claims by Fiscal Year:**

**Table 5. Assistive Device Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

**Estimated Timing of Claims and Impact of Potential Law Change:**

Based on history, it is assumed that no awards will be made and no credits will be claimed. Therefore, any legislative change to this credit for tax year 2010 will have no estimated fiscal impact.

# Biodiesel Blended Fuel Tax Credit

## Iowa Department of Revenue

### Description:

An income tax credit is available to retail dealers who sell biodiesel blended fuel through motor fuel pumps during the tax year. In order to qualify for the tax credit, 50 percent or more of the total gallons of diesel fuel sold at each location by the retail dealer during the tax year must be biodiesel for tax years beginning in 2009. For tax years beginning prior to 2009, 50 percent of all diesel fuel gallons sold in Iowa at all retail locations owned by a taxpayer must have been biodiesel to qualify for the credit. The tax credit applies to biodiesel blended fuel formulated with a minimum percentage of 2 percent by volume of biodiesel, if the formulation meets the standards of Code section 214A.2.

The tax credit equals three cents multiplied by the total number of gallons of biodiesel blended fuel gallons sold during the retail dealer's tax year. A retail dealer of diesel fuel whose tax year ends prior to December 31, 2011, can continue to claim the tax credit in the following tax year for any gallons of biodiesel blended fuel sold through December 31, 2011. This credit will be repealed on January 1, 2012.

The credit may be claimed against either individual income tax or corporate income tax.

**Year Enacted:** 2006

**Effective Date:** January 1, 2006

**Legislative Act:** House File 2754

**Code Citation(s):** Section 422.11P, Section 422.33(11C)

**Sunset Date:** January 1, 2012

### Major Provisions:

**Awarded or Automatic** – Automatic

**Transferable (if yes, how many times?)** – No

**Refundable** – Yes

**Carry Forward** – Yes, one year

### Benefits (including Return on Investment) and Costs:

The Biodiesel Blended Fuel Tax Credit provides a \$0.03 credit for every gallon of biodiesel sold as long as biodiesel sales comprise at least 50 percent of total diesel sales at the retail location with the goal of increasing sales of the biofuel in the state. According to the 2008 Retailers Motor Fuel Gallons Annual Report, 263 of the 1,227 retail locations selling diesel fuel sold biodiesel fuel during 2008. Because the Biodiesel Blended Fuel Tax Credit was claimed on a taxpayer basis prior to tax year 2009, it is not possible to determine the number of retail locations making credit claims.

An evaluation study completed in early 2009 by the Department of Revenue noted the following:

- Biodiesel blends up to 20 percent can be used by any diesel vehicle while higher biodiesel blends require engine modifications as well as special dispensing equipment at the retailer.

- The Biodiesel Blended Fuel Tax Credit provides a \$0.03 credit for every gallon of biodiesel sold for only those retailers with at least 50 percent of total diesel sales. Therefore a retailer that expects biodiesel sales to be around 50 percent faces a broad range of potential per gallon credits while a retailer that has a high certainty of biodiesel sales coming in above 50 percent would expect a \$0.03 credit on each gallon sold. The latter retailer would be more likely to pass the credit onto consumers than the former retailer.
- Retailers face a delay between the time of sale and the time the credit is paid, averaging 18 months. With such a long lag between the time of sale of the fuel and the receipt of the credit, the retailer may not be able to afford to pass on the credit through lower sales prices. Therefore the consumer may not be benefiting from this credit because the credit is administered through the income tax system that leads to long lags in payments to retailers.

It is not possible to quantify a return on investment at this time.

**Information Currently Disclosed to the Public about the Tax Credit:** Aggregate biodiesel consumption statistics are reported in the Annual Retailers Motor Fuel Gallons report and aggregate tax credit claims are reported in the Annual Tax Credit Claims report. These reports are available on the Department of Revenue Web site. No information is publicly available by either individual motor fuel retail location or by tax credit claimant.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

#### **Claim Details by Tax Year:**

**Table 1. Biodiesel Blended Fuel Tax Credit Claim Table**

<b>Tax Year</b>	<b>Number</b>	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Total</b>
2005	10	\$41,834	\$1,790	\$111,975	\$418,340
2006	72	\$29,173	\$26	\$421,712	\$2,100,461
2007	170	\$25,882	\$1	\$1,056,705	\$4,399,945

Notes: Tax year 2005 data collected from IA 8864 claims filed by fiscal year filers where the fiscal year extended into 2006. Tax year 2006 and later data collected from the IA 148 forms.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

**Table 2. Biodiesel Blended Fuel Tax  
Credit Claims for Tax Year 2006**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Corporate Income Tax</b>	31	\$1,760,707
<b>Individual Income Tax</b>	40	\$339,754
<b>Total</b>	71	\$2,100,461

**Table 3. Biodiesel Blended Fuel Tax  
Credit Claims for Tax Year 2007**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Corporate Income Tax</b>	23	\$2,307,520
<b>Individual Income Tax</b>	142	\$2,092,425
<b>Total</b>	165	\$4,399,945

Note: The number of claims in Table 1 can differ from the number of taxpayers in Tables 2 and 3 if a taxpayer makes more than one claim to the credit in a tax year.

**Historic Claims Table by Fiscal Year:**

**Table 4. Biodiesel Blended Fuel Tax Credit  
Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2006	\$83,105
2007	\$669,725
2008	\$2,783,137
2009	\$4,190,051

**Expected Future Claims by Fiscal Year:**

**Table 5. Biodiesel Blended Fuel Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$4,181,193
2011	\$4,446,846
2012	\$4,804,390
2013	\$4,151,447
2014	\$43,724

**Estimated Timing of Claims and Impact of Potential Law Change:**

Based on claims data available from the IA 148, filed starting with tax year 2006 returns, it is estimated that 20 percent of claims for this credit are made in the first fiscal year following the tax year for which the claim is made, 79 percent are made in the second fiscal year following the tax year, and 1 percent in the third fiscal year after the tax year. These numbers will change as more claims data becomes available.

Therefore, 20 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011, and 79 percent will be attributed to fiscal year 2012.



# Brownfield/Grayfield Redevelopment Tax Credit

## Iowa Department of Economic Development

**Description:** The Brownfield/Grayfield Redevelopment Tax Credit is available to taxpayers that invest in redeveloping a brownfield or grayfield site. A brownfield site is defined as an abandoned, idled, or underutilized industrial or commercial facility where expansion or redevelopment is complicated by real or perceived environmental contamination. A grayfield site is defined as a property that has been developed and has infrastructure in place but the property's current use is outdated or prevents a better or more efficient use of the property. Such property includes vacant, blighted, obsolete, or otherwise underutilized property. A Grayfield site is eligible for 12% tax credit of qualifying expenses and 15% if the project meets the requirements of a "green development" and certified by the Iowa Building Code Commissioner; a Brownfield site is eligible for 24% tax credit of qualifying expenses and 30% if the project meets the requirements of a "green development" and certified by the Iowa Building Code Commissioner. Any project has a maximum of \$100,000 tax credit available and the maximum total for the fiscal year 2010 is \$1million. An investment shall be deemed to have been made on the date the qualifying redevelopment project is completed. An investment made prior to January 1, 2009 or after June 30, 2010 shall not qualify for a tax credit. The credit may be claimed against corporate income, individual income, franchise, insurance premium, and moneys and credits taxes.

**Year Enacted:** 2008

**Effective Date:** July 1, 2009

**Legislative Act:** HF 2687 signed by Governor May 15, 2008

**Code Citation(s):** 15.291 and 15.293, Section 422.11V, Section 422.33 (25), Section 422.60 (15), Section 432.12L, Section 533.329 (n)

**Sunset Date:** June 30, 2010

### Major Provisions:

**Awarded or Automatic** – Awarded

**Transferable** – Yes. There is no limit on the number of times a tax credit could be transferred

**Refundable** – No

**Carry Forward** – Yes, five years

**Benefits and Costs:** To date there have been six applications received for a total request of \$600,000. Total budgets for the six redevelopment projects is \$14,118,805 (credit is 4.25% of total project costs). It is expected that the entire \$1million available for FY 2010 will be claimed before the end of the fiscal year.

Average dollars leveraged for the six applications received to date is over 20 times the amount of the tax credit. At the current rate, the tax credit dollars will leveraged over \$20 million in redevelopment in Iowa. In the City of Dubuque, which is experiencing a housing shortage, the four applications received to date represent tax credits equal to 3.45% of budgeted redevelopment costs, which represents a leverage of over 28 to 1.

**Information Disclosure:** The IDED website contains overview information of the tax credits, Iowa Code and Administrative Code that guides the program, as well as applications and contact information for program manager for direct inquiries. All meetings are open to the public, and no information in any way is confidential unless specifically requested by and applicant and approved by IDED legal counsel.

**Oversight Responsibility:** Department of Economic Development, Business Development Division accepts applications which are then reviewed by the Brownfield Advisory Council which is made up of five members: the director, or director's designee from the Iowa Department of Transportation, Department of Natural Resources, Department of Economic Development, as well as one person selected by the board of directors of the Iowa League of Cities and one member of the Iowa Economic Development Board selected by the Board. The Brownfield Advisory Council (BAC) decisions are based on whether the code criteria are met. Advisory Council recommendations are made to the Iowa Economic Development Board, which may approve, deny or defer an application. Applications approved by the Economic Development Board are then sent an award letter signed by the Director, and are required to execute a contract with IDED. All contracts require formal approval and signoff from Team Leader, Business Development Division Administrator, Legal Counsel (for new contract templates), and Administrative Division Administrator for fiscal review, and the office of Director for signature. Proper documentation of approved expenditures upon the completion of a project is required per contract. Prior to issuance of tax credit certificate, expenditure documentation is reviewed and approved by Division Administrator then Administrative Division Administrator.

**Award/Claim Table Details by Award/Tax Year:**

New program in 2009. One application has been approved by the BAC and the IDED Board for \$100,000 (\$100,000 is the maximum per project). Three applications have been approved by the BAC and go to the IDED Board for approval Dec. 17th, each for \$100,000. Three applications are up for review at the December 16 BAC meeting, two for \$100,000 each and one for \$18,000. If all are approved and fully claimed, it would amount to \$618,000.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

Not Applicable. There were no claims for these years as the program was not yet in effect.

**Historic Claims Table by Fiscal Year:**

There are no historic claims as the program was not yet in effect.

**Expected Future Claims by Fiscal Year:**  
**Table 5. Redevelopment Tax Credit**  
**Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$550,000
2011	\$200,000
2012	\$50,000
2013	\$50,000
2014	\$50,000

**Estimated Timing of Claims and Impact of Potential Law Change:**

Estimates are based on information from the fiscal note for HF 2687, 2008 Legislative Session, and the \$1 million dollar annual cap in the legislation. These estimates may change as claims data becomes available.

# Charitable Conservation Contribution Tax Credit

## Iowa Department of Revenue

### Description:

This credit is available to individual and corporate taxpayers who make an unconditional charitable donation of a qualified real property interest located in the State of Iowa to a qualified organization exclusively for conservation purposes. The definitions of “conservation purpose”, “qualified organization”, and “qualified real property interest” are the same as defined for the qualified conservation contribution under section 170 (h) of the Internal Revenue Code, except that a conveyance of land for open space for the purpose of fulfilling density requirements to obtain subdivision or building permits shall not be considered a conveyance for conservation purpose.

The tax credit is equal to fifty percent of the fair market value of the donated property. The maximum amount of the tax credit is \$100,000 per taxpayer and the amount of the contribution for which the tax credit is claimed shall not be claimed as an itemized deduction for charitable contributions for Iowa income tax purposes.

The credit may be claimed against either individual income tax or corporate income tax.

**Year Enacted:** 2007

**Effective Date:** January 1, 2008

**Legislative Act:** House File 2080

**Code Citation(s):** Section 422.11W, Section 422.33 (25)

**Sunset Date:** none

### Major Provisions:

**Awarded or Automatic** – Automatic

**Transferable (if yes, how many times?)** – No

**Refundable** – No

**Carry Forward** – 20 years

**Benefits (including Return on Investment) and Costs:** There is no information gathered on the amount, type, or location of land interests conveyed for conservation purposes. Also, there is no information on the recipients of these conveyances.

It is not possible to quantify a return on investment at this time due to the tax credit's short history and the lack of information on land conveyances.

**Information Currently Disclosed to the Public about the Tax Credit:** Currently there is no information either in summary form or by taxpayer available to the public for this credit.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

**Award Details by Tax Year:****Table 1. Charitable Conservation Contribution Tax Credit Award Table**

<b>Tax Year</b>	<b>Number</b>	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Total</b>
<b>2008</b>	12	\$21,867	\$50	\$100,000	\$262,408

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

No Claims data

**Historic Claims Table by Fiscal Year:**

No Claims data

**Expected future claims by Fiscal Year:****Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$57,826
2011	\$112,531
2012	\$184,840
2013	\$273,201
2014	\$353,773

**Estimated Timing of Claims and Impact of Potential Law Change:**

Claims for future tax years are forecasted based on the observed claim utilization percentage from IA 148 data from tax year 2008, 8.8 percent, which reflects the non-refundable nature of the credit as well as the 20 year carry forward. The 8.8 percent is applied to the amount of the credit carried forward and the estimated new amount of eligible credit. These numbers will change as more claims data becomes available.

Therefore, 8.8 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011, and 8 percent will be attributed to fiscal year 2012.

# Child and Dependent Care Tax Credit

## Iowa Department of Revenue

**Description:** This credit is available to individual taxpayers who have eligible child and dependent care expenses. Eligible taxpayers must have net income of \$45,000 or less. The credit is based on a percentage of the federal credit for child and dependent care expenses. The following link is to the federal computation of the credit:

<http://www.irs.gov/pub/irs-pdf/p503.pdf>.

The percentages vary depending on the amount of Iowa net income.

- Net income less than \$10,000: 75 percent
- Net income of \$10,000 to \$20,000: 65 percent
- Net income of \$20,000 to \$25,000: 55 percent
- Net income of \$25,000 to \$35,000: 50 percent
- Net income of \$35,000 to \$40,000: 40 percent
- Net income of \$40,000 to \$45,000: 30 percent

The credit may be claimed against the individual income tax.

**Year Enacted:** 1977

**Effective Date:** January 1, 1977

**Legislative Act:** Senate File 32

**Code Citation(s):** Section 422.12C, Code of Iowa and 701 IAC 42.9

**Sunset Date:** None

### History of Child and Dependent Care Credit:

- 1977 – Child care credit of 5% of qualifying federal expenses allowed with credit up to \$100 for one child and \$200 for two or more children.
- 1983 – Child care credit percentage increased from 5% to 10%.
- 1986 – Child care credit changed to 45% of federal credit.
- 1990 – Child care credit now based on sliding scale percentage of federal credit and also now refundable.
- 1993 – Child care credit restricted to taxpayers with household income of less than \$40,000
- 2006 – Child care credit expanded to households with income between \$40,000 and \$45,000 at a rate of 30% of the federal credit.

### Major Provisions:

**Awarded or Automatic** – Automatic

**Transferable (if yes, how many times?)** – No

**Refundable** – Yes

**Carry Forward** – No

**Benefits (including Return on Investment) and Costs:** This credit benefits households with child and dependent care expenses with relatively low income as households with income over \$45,000 cannot claim the credit.

For tax year 2007, approximately 60% of the claimants and 72% of the credits were claimed by households with less than \$30,000 of income. For tax year 2007, 37,500 taxpayers claimed this credit. The fiscal cost of this credit is shown to decrease in fiscal year 2012 because, under current law, the federal credit will revert to lower pre-2001 levels. However, it is likely that the expansion of the federal child and dependent care credit will not be allowed to expire. It is not possible to quantify the return on investment for this tax credit at this time.

**Information Currently Disclosed to the Public about the Tax Credit:** Information on the number of credit claims and the aggregate amount of tax credit claims is published in the Annual Individual Income Tax Statistical Report. Copies of this report back to tax year 1997 are available on the Department's Web site. No information by taxpayer is publicly available. Release of individual taxpayer information is prohibited by State law.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

#### **Claim Details by Tax Year:**

**Table 1. Child and Dependent Care Tax Credit Claim Details by Tax Year**

<b>Tax Year</b>	<b>Number</b>	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Total</b>
2005	27,916	\$295	\$1	\$1,575	\$8,241,094
2006	31,446	\$284	\$1	\$1,650	\$8,918,055
2007	30,571	\$288	\$1	\$1,575	\$8,800,473
2008*	29,415	\$282	\$1	\$1,575	\$8,302,542

Notes: Data from individual income tax return IA 1040.  
Tax year 2008 data are incomplete.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

**Table 2. Child and Dependent Care Tax Credit Claim Table for Tax Year 2006**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Individual Income Tax</b>	31,446	\$8,918,055
<b>Total</b>	31,446	\$8,918,055

**Table 3. Child and Dependent Care Tax Credit Claim Table for Tax Year 2007**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Individual Income Tax</b>	30,571	\$8,800,473
<b>Total</b>	30,571	\$8,800,473

**Historic Claims Table by Fiscal Year:**

**Table 4. Child and Dependent Care Tax Credit  
Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2006	\$8,241,094
2007	\$8,918,055
2008	\$8,800,473
2009	\$8,302,542

**Expected Future Claims by Fiscal Year:**

**Table 5. Child and Dependent Care Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$9,282,178
2011	\$10,014,968
2012	\$6,892,309
2013	\$6,181,449
2014	\$5,819,341



**Estimated Timing of Claims and Impact of Potential Law Change:**

Nearly all claims for the Child and Dependent Care Tax Credit are made on the IA 1040 filed between January and April following the tax year.

Therefore, 100 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011.

# Claim of Right Tax Credit

## Iowa Department of Revenue

### Description:

A credit may be taken if there was income repaid in the current tax year that was reported and taxed on a prior Iowa tax return. To calculate the credit, re-compute the tax in the prior year without the repaid income. The tax reduction that was calculated is the amount of the credit.

**Year Enacted:** 1996

**Effective Date:** retroactive to January 1, 1992

**Legislative Act:** Senate File 2168, 1996 legislative session

**Code Citation(s):** Section 422.5 (10)

**Sunset Date:** None

### Major Provisions:

**Awarded or Automatic** – Automatic

**Transferable (if yes, how many times?)** – No

**Refundable** – Yes

**Carry Forward** – No

**Benefits (including Return on Investment) and Costs:** This credit provides a mechanism for allowing taxpayers to recoup taxes paid in prior tax years on income that was returned. This provision of the Code is there to ensure taxpayers do not pay any more tax than is truly owed. The number of claimants of this credit is very small and the fiscal impact is minimal.

Return on investment is not meaningful for this tax credit.

**Information Currently Disclosed to the Public about the Tax Credit:** Information on the number of credit claims and the aggregate amount of tax credit claims is published in the Annual Tax Credit Claims Report beginning with the 2006 tax year. Prior to that time no information on taxpayers that claimed this credit was available. The 2006 report is available on the Department's Web site. No information by taxpayer is publicly available. Release of individual taxpayer information is prohibited by State law.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

**Claim Details by Tax Year:****Table 1. Claim of Right Tax Credit Claim Details by Tax Year**

<b>Tax Year</b>	<b>Number</b>	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Total</b>
<b>2006</b>	20	\$623	\$13	\$2,348	\$12,452
<b>2007</b>	22	\$815	\$30	\$2,505	\$17,930
<b>2008</b>	35	\$718	\$132	\$4,416	\$25,114

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:****Table 2. Claim of Right Tax Credit Claim Table for Tax Year 2006**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Individual Income Tax</b>	19	\$12,452
<b>Total</b>	19	\$12,452

**Table 3. Claim of Right Tax Credit Claim Table for Tax Year 2007**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Individual Income Tax</b>	21	\$17,930
<b>Total</b>	21	\$17,930

Note: The number of claims in Table 1 can differ from the number of taxpayers in Tables 2 and 3 if a taxpayer makes more than one claim to the credit in a tax year.

**Historic Claims Table by Fiscal Year:****Table 4. Claim of Right Tax Credit Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2007	\$12,452
2008	\$17,930
2009	\$25,114

**Expected Future Claims by Fiscal Year:**

No future claims estimates are made for this administrative tax credit. However, normally claims are less than \$100,000 per year.

# Disaster Recovery Housing Project Tax Credit

## Iowa Finance Authority

**Description:** An income tax credit is available for 75 percent of a taxpayer's qualifying investment in a qualifying disaster recovery housing project. This applies to disaster recovery housing project costs incurred on or after May 12, 2009 and before July 1, 2010. To qualify as a disaster recovery housing project, a property and the activities affecting the property shall meet all of the following conditions:

- The property is owned by a taxpayer who is an individual, business, or corporation subject to taxation.
- A qualifying investment is made by the taxpayer.
- The project involves the construction or rehabilitation of housing on the property.
- The property is located in an area that the Governor proclaimed a disaster emergency or the President of the United States declared a major disaster during the period of time beginning May 1, 2008 and ending August 31, 2008.
- An application for low-income housing tax credits pursuant to section 42 of the Internal Revenue Code has been submitted to the Iowa Finance Authority (IFA) on behalf of the project and has been determined by IFA to meet the threshold requirements for an award of credits as set forth in the applicable qualified allocation plan.
- The project meets the requirements relating to the density of residential housing in the area as established by IFA.
- The project meets the requirements relating to the availability of and the accessibility to educational services as established by IFA.
- The project is designed to avoid, prevent, or mitigate the effects of a future natural disaster.

The amount of the credit shall be divided by five and applied equally to the taxpayer's tax liability for five consecutive tax years starting with the tax year beginning in the 2011 calendar year. The credit may be claimed against either individual income tax or corporate income tax.

**Year Enacted:** 2009

**Effective Date:**

**Legislative Act:** 2009 Iowa Acts, Senate File 457

**Code Citation(s):** Credit has not and will not be implemented due to amount of federal housing resources made available for disaster recovery and economic stimulus.

**Sunset Date:** See description above

### Major Provisions:

<b>Awarded or Automatic –</b>	Awarded
<b>Transferable (if yes, how many times?) –</b>	No
<b>Refundable –</b>	No
<b>Carry Forward –</b>	No

### Benefits (including Return on Investment) and Costs:

Not available since credit never awarded

**Information Currently Disclosed to the Public about the Tax Credit:** In legislation only

**Oversight Responsibility and Description of Oversight/Regulation Process:** Iowa Finance Authority – administrative rules not filed; please refer to Code Citation above.

**Award/Claim Details by Award/Tax Year: NA**

Not available since credit never awarded

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

Not available since credit never awarded

**Historic Claims Table by Fiscal Year:**

Not available since credit never awarded

**Expected Future Claims by Fiscal Year:**

Not available since credit never awarded

**Estimated Timing of Claims and Impact of Potential Law Change:**

Not available since credit never awarded

# E85 Gasoline Promotion Tax Credit

## Iowa Department of Revenue

### Description:

An income tax credit is available to retail dealers of gasoline who sell E85 gasoline through motor fuel pumps during the tax year. The amount of the credit is determined by multiplying the total number of E85 gallons sold by the following rate:

- Calendar years 2006, 2007 and 2008: 25 cents
- Calendar years 2009 and 2010: 20 cents
- Calendar year 2011: 10 cents
- Calendar year 2012: 9 cents
- Calendar year 2013: 8 cents
- Calendar year 2014: 7 cents
- Calendar year 2015: 6 cents
- Calendar year 2016: 5 cents
- Calendar year 2017: 4 cents
- Calendar year 2018: 3 cents
- Calendar year 2019: 2 cents
- Calendar year 2020: 1 cent
- Calendar year 2021 and subsequent years: 0 cents

For retail dealers of gasoline whose tax year is not on a calendar year basis, the retail dealer may compute the tax credit on the gallons of E85 gallons sold during the year using the applicable credit amounts as shown above. A retail dealer of gasoline whose tax year ends prior to December 31, 2020, can continue to claim the tax credit in the following tax year for any E85 gallons sold through December 31, 2020. For a retail dealer whose tax year is not on a calendar year basis and who did not claim the E85 credit on the previous return, the dealer may claim the credit for the current tax year for the period beginning on January 1 of the previous tax year to the last day of the previous tax year. This credit will be repealed on January 1, 2021.

A retail dealer of gasoline will be able to claim the E85 gasoline promotion tax credit even if the dealer claims an Ethanol Promotion Tax Credit for the same tax year for the same ethanol gallons sold.

The credit may be claimed against either individual income tax or corporate income tax.

**Year Enacted:** 2006

**Effective Date:** January 1, 2006

**Legislative Act:** House File 2754

**Code Citation(s):** Section 422.11O, Section 422.33 (11B)

**Sunset Date:** January 1, 2021

**Major Provisions:**

**Awarded or Automatic** – Automatic

**Transferable (if yes, how many times?)** – No

**Refundable** – Yes

**Carry Forward** – Yes, one year

**Benefits (including Return on Investment) and Costs:** The E85 Gasoline Promotion Tax Credit provides a \$0.25 credit for every gallon of E85 sold regardless of the level of sales with the goal of increasing sales of the biofuel in the state. E85 requires dedicated pumps and can only be used in flexible-fuel vehicles (FFVs), thus growth in E85 consumption will require both the expansion of E85 retail locations and the willingness of consumers to purchase FFVs. The estimated cost of retrofitting an existing fuel pump to dispense E85 ranges from \$22,000 to \$80,000. In Iowa, the number of E85 stations rose from just ten in 2004 to 120 in the third quarter of 2009. The sales of E85 increased 73 percent between 2007 and 2006, and an additional 124 percent in 2008. For the first two quarters of 2009, with the credit rate decreased by 5 cents a gallon, sales are down 17 percent compared to 2008. There are numerous factors that have possibly contributed to the decrease. These include the condition of the economy, lower petroleum prices, and the decreased tax credit rate.

An evaluation study completed in early 2009 by the Department of Revenue noted the following:

- With certainty about the credit retailers will receive at the time of sale, it is possible retailers could pass some or all of the credit to consumers. However, retailers face a delay between the time of sale and the time the credit is paid, averaging 18 months, raising a time-value of money problem. With such a long lag between the time of sale of the fuel and the receipt of the credit, the retailer may have a hard time affording passing on the credit through lower sales prices. Therefore the consumer may not be benefiting from this credit because the credit is administered through the income tax system that leads to long lags in payments to retailers. Rather than passing the benefit to consumers, retailers may view the credit as one avenue for the State to subsidize the infrastructure costs of converting equipment to allow for E85 sales.

It is not possible to quantify the return on investment at this time.

**Information Currently Disclosed to the Public about the Tax Credit:** Aggregate E85 consumption statistics are reported in the Annual Retailers Motor Fuel Gallons report and aggregate tax credit claims are reported in the Annual Tax Credit Claims report. These reports are available on the Department of Revenue Web site. No information is publicly available by either individual motor fuel retail location or by tax credit claimant.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

**Claim Details by Tax Year:****Table 1. E85 Gasoline Promotion Tax Credit Claim Details by Tax Year**

<b>Tax Year</b>	<b>Number</b>	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Total</b>
2005	12	\$10,970	\$250	\$28,503	\$131,639
2006	108	\$4,753	\$1	\$77,056	\$513,329
2007	145	\$5,449	\$1	\$118,364	\$790,134

Notes: Tax year 2005 data collected from IA 135 claims filed by fiscal year filers where the fiscal year extended into 2006. Tax year 2006 and later data collected from the IA 148 forms.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:****Table 2. E85 Gasoline Promotion Tax Credit Claim Table for Tax Year 2006**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Corporate Income Tax</b>	31	\$366,401
<b>Individual Income Tax</b>	74	\$146,928
<b>Total</b>	105	\$513,329

**Table 3. E85 Gasoline Promotion Tax Credit Claim Table for Tax Year 2007**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Corporate Income Tax</b>	31	\$623,361
<b>Individual Income Tax</b>	112	\$166,773
<b>Total</b>	143	\$790,134

Note: The number of claims in Table 1 can differ from the number of taxpayers in Tables 2 and 3 if a taxpayer makes more than one claim to the credit in a tax year.



**Historic Claims Table by Fiscal Year:**

**Table 4. E85 Gasoline Promotion Tax Credit  
Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2006	\$41,124
2007	\$272,455
2008	\$524,844
2009	\$778,592

**Expected Future Claims by Fiscal Year:**

**Table 5. E85 Gasoline Promotion Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$1,458,910
2011	\$1,584,867
2012	\$1,751,521
2013	\$1,461,110
2014	\$1,694,180

**Estimated Timing of Claims and Impact of Potential Law Change:**

Based on claims data available from the IA 148, filed starting with tax year 2006 returns, it is estimated that 31 percent of claims for this credit are made in the first fiscal year following the tax year for which the claim is made, 64 percent are made in the second fiscal year following the tax year, and 5 percent in the third fiscal year after the tax year. These numbers will change as more claims data becomes available.

Therefore, 31 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011, and 64 percent will be attributed to fiscal year 2012.

# Early Childhood Development Tax Credit

## Iowa Department of Revenue

### Description:

The Early Childhood Development Tax Credit is equal to 25 percent of the first \$1,000 of expenses paid for early childhood development expenses for each dependent from the ages of three to five. The credit is only available to taxpayers whose net income is less than \$45,000. If the taxpayer claims the Early Childhood Development Tax Credit, the taxpayer cannot claim the state Child and Dependent Care Tax Credit.

Early childhood development expenses that qualify for the credit include the following:

1. Services provided to the dependent by a preschool, as defined in Section 237A.1, Code of Iowa
2. Books that improve child development, such as textbooks, music and art books, teacher's editions and reading books
3. Instructional materials required to be used in a lesson activity, such as paper, notebooks, pencils and art supplies
4. Lesson plans and curricula
5. Child development and educational activities outside the home, such as drama, art, music and museum activities and the entrance fees for such activities

Early childhood development expenses that *do not* qualify for the credit include:

1. Food, lodging, or membership fees relating to child development and educational activities outside the home
2. Services, materials, or activities for the teaching of religious tenets, doctrines, or worship, if the purpose of these expenses is to instill those tenets, doctrines, or worship

The credit may be claimed against the individual income tax.

**Year Enacted:** 2005

**Effective Date:** January 1, 2006

**Legislative Act:** House File 761

**Code Citation(s):** Section 422.12C (2)

**Sunset Date:** None

### Major Provisions:

**Awarded or Automatic** – Automatic

**Transferable (if yes, how many times?)** – No

**Refundable** – Yes

**Carry Forward** – No

**Benefits (including Return on Investment) and Costs:** This credit benefits households with allowable early childhood development expenses with relatively lower income. For tax year 2007, approximately 56% of the claimants and 54% of the credits were claimed by households with less than \$30,000 of income. Only about 3,800

taxpayers claimed this credit for tax year 2007. Through the appropriation process the State also provides direct assistance to school districts to provide pre-school programs.

The return on investment for this tax credit cannot be quantified at this time.

**Information Currently Disclosed to the Public about the Tax Credit:** Information on the number of credit claims and the aggregate amount of tax credit claims is published in the Annual Individual Income Tax Statistical Report. Copies of this report back to tax year 1997 are available on the Department's Web site. No information by taxpayer is publicly available. Release of individual taxpayer information is prohibited by State law.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

**Claim Details by Tax Year and Distributional Details for 2007 Tax Year:**

**Table 1. Early Childhood Development Tax Credit Claim Details by Tax Year**

Tax Year	Number	Average	Minimum	Maximum	Total
2006	2,969	\$154	\$1	\$750	\$457,802
2007	3,320	\$152	\$1	\$750	\$506,182
2008*	3,341	\$158	\$1	\$1,000	\$527,981

Notes: Data from individual income tax return IA 1040.

Tax year 2008 data are incomplete.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

**Table 2. Early Childhood Development Tax Credit Claim Table for Tax Year 2006**

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Individual Income Tax	2,969	\$457,802
Total	2,969	\$457,802

**Table 3. Early Childhood Development Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Individual Income Tax	3,320	\$506,182
Total	3,320	\$506,182

**Historic Claims Table by Fiscal Year:**

**Table 4. Early Childhood Development Tax Credit  
Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2007	\$457,802
2008	\$506,182
2009	\$527,981

**Expected Future Claims by Fiscal Year:**

**Table 5. Early Childhood Development Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$402,182
2011	\$425,812
2012	\$417,182
2013	\$388,931
2014	\$372,313

**Estimated Timing of Claims and Impact of Potential Law Change:**

Nearly all claims for the Early Childhood Development Tax Credit are made on the IA 1040 filed between January and April following the tax year.

Therefore, 100 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011.

# Earned Income Tax Credit

## Iowa Department of Revenue

### Description:

This credit is available to individual taxpayers who qualify for the federal earned income credit, and the credit equals 7.0 percent of the federal earned income credit.

The following link is to a document that contains the Earned Income Tax Credit tables for the 2008 federal credit in its appendix: <http://www.irs.gov/pub/irs-pdf/p596.pdf>. The state credit in 2009 is equal to 7.0 percent of the federal credit, excluding changes in the federal American Recovery and Reinvestment Act of 2009.

The credit may be claimed against the individual income tax.

**Year Enacted:** 1989

**Effective Date:** January 1, 1990

**Legislative Act:** Senate File 537, 1989 legislative session

**Code Citation(s):** Section 422.12B

**Sunset Date:** None

### History of the Early Childhood Development Credit:

- 1990 – Earned income credit equal to 5% of the federal credit allowed.
- 1991 – Earned income credit increased to 6.5% of the federal credit.
- 2007 – The earned income tax credit was increased from 6.5% to 7.0% and changed from a nonrefundable credit to a refundable credit

### Major Provisions:

**Awarded or Automatic** – Automatic

**Transferable (if yes, how many times?)**– No

**Refundable** – Yes

**Carry Forward** – No

**Benefits (including Return on Investment) and Costs:** This credit benefits lower income households with federal adjusted gross income under \$43,415 (tax year 2009). For tax year 2007, approximately 63% of the claimants and 68% of the credits were claimed by households with less than \$20,000 of income. Of the \$23.6 million earned income credits claimed on 2007 returns, \$10.4 million was used to reduce tax liabilities and \$13.2 million was refunded to taxpayers. For tax year 2007 the number of taxpayers claiming the credit equaled 202,100.

Following are the findings of a study by the National Bureau of Economic Research on the success of the earned income tax credit on achieving its goals.

The Earned Income Tax Credit (EITC), a federal program that provided 22 million American families with children a total of \$34 billion in cash assistance in 2003, accomplishes its stated goals. It not only provides low-income

workers, including many who are poor, with extra income through tax refunds. This largest federal cash transfer program also successfully meets its explicit goal of encouraging low-income parents to go to work by, in effect, lowering their tax rate and providing a financial bonus for that work effort. It has been especially effective in encouraging single parents, particularly women, to obtain employment. **Behavioral Responses to Taxes: Lessons from the EITC and Labor Supply** (NBER Working Paper No. [11729](#)).

Since the Iowa earned income tax credit became refundable the Department of Revenue has been providing information to the Department of Human Services that uses this data to provide evidence of the State's maintenance of effort required to support its receipt of federal Family Investment Program (FIP) funds.

The Department has found no evidence of fraudulent claims since the Iowa EITC became refundable.

Return on investment cannot be quantified for the Iowa Earned Income Tax Credit at this time. However, studies of the national EITC have found significant benefits in terms of encouraging greater workforce participation.

**Information Currently Disclosed to the Public about the Tax Credit:** Information on the number of credit claims and the aggregate amount of tax credit claims is published in the Annual Individual Income Tax Statistical Report. Copies of this report back to tax year 1997 are available on the Department's Web site. No information by taxpayer is publicly available. Release of individual taxpayer information is prohibited by State law.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs. Also, since tax year 2007 when the credit became refundable special computer programs have been run to check for potentially fraudulent claims.

**Recommendation(s):** None at this time

**Claim Details by Tax Year and Distributional Details for 2007 Tax Year:**  
**Table 1. Earned Income Tax Credit Claim Details by Tax Year**

Tax Year	Number	Average	Minimum	Maximum	Total
2005	98,432	\$100	\$1	\$366	\$9,804,383
2006	102,564	\$105	\$1	\$295	\$10,736,225
2007	187,449	\$126	\$1	\$330	\$23,594,751
2008*	194,187	\$130	\$1	\$338	\$25,286,253

Notes: Data from individual income tax return IA 1040.  
Tax year 2008 data are incomplete.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

**Table 2. Earned Income Tax Credit Claim Table for Tax Year 2006**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Individual Income Tax</b>	102,564	\$10,736,225
<b>Total</b>	102,564	\$10,736,225

**Table 3. Earned Income Tax Credit Claim Table for Tax Year 2007**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Individual Income Tax</b>	187,449	\$23,594,751
<b>Total</b>	187,449	\$23,594,751

**Historic Claims Table by Fiscal Year:**

**Table 4. Earned Income Tax Credit  
Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2006	\$9,804,383
2007	\$10,736,225
2008	\$23,594,751
2009	\$25,286,253

**Expected Future Claims by Fiscal Year:**

**Table 5. Earned Income Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$31,757,174
2011	\$30,330,517
2012	\$27,656,163
2013	\$27,206,090
2014	\$27,294,149

**Estimated Timing of Claims and Impact of Potential Law Change:**

Nearly all claims for the Earned Income Tax Credit are made on the IA 1040 filed between January and April following the tax year.

Therefore, 100 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011.



# Economic Development Region Revolving Fund Tax Credit

## Iowa Department of Economic Development

### Description:

A tax credit equal to 20 percent of the contribution made to an economic development region revolving fund is allowed. The economic development region must be approved by the Department of Economic Development.

The credit may be claimed against corporate income, individual income, franchise, insurance premium, and moneys and credits tax.

**Year Enacted:** 2005

**Effective Date:** July 1, 2005

**Legislative Act:** House File 868

**Code Citation(s):** Section 15E.232, Section 422.11K, Section 422.33 (17), Section 422.60 (9), Section 432.12F, Section 533.329 (k)

**Sunset Date:** None

### Major Provisions:

**Awarded or Automatic** – Awarded

**Transferable** – No

**Refundable** – No

**Carry Forward** – Yes, ten years

### Benefits and Costs:

The credit awards are capped at \$2 million per fiscal year. Any unused amount of the \$2 million cap can be carried forward into the next fiscal year.

**Information Disclosure:** Information about the Economic Development Region Revolving Fund Tax Credit is available on the IDED website at <http://iowalifechanging.com/search.aspx?q=Regional+Revolving+Loan> , or by contacting Mike Miller at the IDED Community Development Division, at 515-725-3077.

**Oversight Responsibility:** Applications are reviewed by the Investment Management Team Leader and Division Director of the Department of Economic Development, Community Development Division. Awards are made to all applicants who meet the criteria set forth in the Iowa Code.

### Award/Claim Details by Award/Tax Year:

None

### Claims Tables by Tax Type for 2006 and 2007 Tax Years:

There have been no awards for the Economic Development Region Revolving Fund Tax Credit that could be claimed in either tax year 2006 or 2007, however, one claim was

made in tax year 2006 and tax year 2007 (see Tables 2 and 3 below). These erroneous claims have been reported to the Iowa Department of Revenue Compliance Division.

**Table 2. Economic Development Region Revolving Fund Tax Credit Claim Table for Tax Year 2006**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Individual Income Tax	1	\$0	\$0	\$0	\$156	\$0	\$0
<b>Total</b>	<b>1</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$156</b>	<b>\$0</b>	<b>\$0</b>

**Table 3. Economic Development Region Revolving Fund Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Individual Income Tax	1	\$0	\$0	\$0	\$7,747	\$0	\$0
<b>Total</b>	<b>1</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,747</b>	<b>\$0</b>	<b>\$0</b>

#### **Historic Claims Table by Fiscal Year:**

**Table 4. Economic Development Region Revolving Fund Tax Credit Historic Claims by Fiscal Year**

Fiscal Year	Total
2007	\$156
2008	\$0
2009	\$7,747

Note: These claims are erroneous and have been reported to the Department of Revenue Compliance Division

#### **Expected Future Claims by Fiscal Year:**

**Table 5. Economic Development Region Revolving Fund Tax Credit Expected Claims by Fiscal Year**

Fiscal Year	Total
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

#### **Estimated Timing of Claims and Impact of Potential Law Change:**

Based on history, it is assumed that no awards will be made and no credits will be claimed. Therefore, any legislative change to this credit for tax year 2010 will have no estimated fiscal impact.

# Endow Iowa Tax Credit

## Iowa Department of Economic Development

### Description:

The Endow Iowa Tax Credit is intended to encourage donations to Community Foundations in the state. The Credit is a 20% tax credit against the state tax liability, in addition to the normal charitable income tax deductions for certain charitable gifts. Beginning January 1, 2010, the tax credit increases to 25%, but the donation amount is no longer deductible for state tax purposes. Maximum credit amount is \$100,000, regardless of the amount of the donation. The gift must be to a permanent endowment fund within a qualified foundation or community affiliate organization for the benefit of charitable causes in Iowa. The tax credit can be claimed by individuals, businesses, or financial institutions.

### Year Enacted: 2003

**Effective Date:** Took effect January 1, 2003 – for tax year 2003.

**Legislative Act:** House File 683, 2003 General Assembly

**Code Citation(s):** 15E.305, 422.11H, 422.33(14), 422.60(7), 432.12D, 533.329(I)

**Sunset Date:** NA

### Major Provisions:

**Awarded or Automatic** – Awarded

**Transferable** – No

**Refundable** – No

**Carry Forward** – Yes, up to 5 years

**Benefits and Costs:** 20% credit for amount of donation, and deductible. Beginning January 1, 2010, the tax credit increases to 25%, but the donation amount is no longer deductible for state tax purposes.

Maximum credit amount is \$100,000, regardless of the amount of the donation.

In 2004, 7 community foundations participated. In 2006, 30 participated. In the most recent full calendar year of the program, 2008, 68 community foundations participated. Data from the Community Foundations shows that from 2007 to 2008, there was a 28% increase in assets in these funds. The Endow Iowa Tax Credit has been an important marketing tool for the Community Foundations in this effort, not only because of the financial benefit derived from the credit, but because the state “sponsorship” of such organizations has increased their legitimacy in the eyes of potential donors. At the 20% level, the credits have resulted in a minimum leverage of \$ 5 of private sector donations to locally-organized charitable organizations for every \$ 1 of state tax credits awarded.

The return on investment is two-fold. The tax credit recipient irrevocably gives up control of an asset that then becomes the property of a community foundation (a legal, non-profit entity). The Endow Iowa Tax Credit also provides a vehicle in communities to create endowment funds. Wealth has often been seen leaving Iowa’s communities and counties because there were limited, if any, vehicles in place to receive gifts; now with the growth of community foundations and the incentive of the Endow Iowa Tax Credit Program there are local vehicles serving all of Iowa.

**Information Disclosure:** An Annual Report is submitted at the end of each year to the Governor and the Legislature that provides a summary of the tax credits approved during the year, including the number of credits approved, the amount approved, a summary of the benefiting donations by size, and the number of community foundations and affiliate organizations benefiting from the tax credit program. The report also describes how many of the credits were awarded to individuals, and how many to businesses. The report is also available on the IDED website.

**Oversight Responsibility:** The process of applying for the credits begins with a donation to the Community Foundation. If the donation qualifies for an Endow Iowa Tax Credit, the Community Foundation fills out and submits an application to IDED. The application form contains detailed information on the donation, including the date, the amount, the name of the fund, and the SSN of the donor. Both the donor and the Community Foundation are required to sign the application, attesting that the donation meets the requirements of the program, and that the information on the application is true and correct. The Department of Economic Development reviews all applications to make sure that the information is complete, and that the organization and the donation meet program requirements. If so, the Department proceeds to assign a tax credit # (per Dept. of Revenue) and sends an award letter to the donor, with a cc: to the Community Foundation.

Periodically, IDED sends the relevant information on all Endow Iowa donations/tax credits to the Department of Revenue so that the information is available to Revenue to compare to tax returns.

**Award Table Details by Award/Tax Year:**

Calendar Year	Minimum Credit	Maximum Credit	Average Award	Total # of Awards	Total \$'s Awarded
2007	\$2.00	\$ 97,750	\$1,923	1040	\$2,000,000
2008	1.60	100,000	1,678	1881	3,155,395
2009 (thru 10/31)	2.00	100,000	984	958	942,776

The 2009 to date figures could easily be misinterpreted. The highest volume months under this program are usually November and December. This may be partially due to "tax-planning", and may be partially due to the "Holiday spirit". In any case, it is expected that the last two months of the year will have significantly higher volume, in both # of applications and dollar amounts, than the other months of the year.

## Claims Tables by Tax Type for 2006 and 2007 Tax Years:

Table 2. Endow Iowa Tax Credit Claim Table for Tax Year 2006

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	6	\$1,000	\$28,020	\$29,020	\$15,949	\$0	\$13,071
Franchise Tax	4	\$0	\$544	\$544	\$544	\$0	\$0
Individual Income Tax	518	\$371,165	\$1,847,731	\$2,218,896	\$1,731,906	\$0	\$485,919
Insurance Premium Tax	1	\$0	\$113	\$113	\$113	\$0	\$0
<b>Total</b>	<b>529</b>	<b>\$372,165</b>	<b>\$1,876,408</b>	<b>\$2,248,573</b>	<b>\$1,748,512</b>	<b>\$0</b>	<b>\$498,990</b>

Table 3. Endow Iowa Tax Credit Claim Table for Tax Year 2007

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	12	\$38	\$55,158	\$55,196	\$56,674	\$0	\$0
Franchise Tax	7	\$0	\$9,550	\$9,550	\$10,750	\$0	\$0
Individual Income Tax	641	\$551,589	\$1,695,825	\$2,247,514	\$1,475,883	\$0	\$769,022
<b>Total</b>	<b>660</b>	<b>\$551,627</b>	<b>\$1,760,533</b>	<b>\$2,312,260</b>	<b>\$1,543,307</b>	<b>\$0</b>	<b>\$769,022</b>

## Historic Claims Table by Fiscal Year:

Table 4. Endow Iowa Tax Credit  
Historic Claims by Fiscal Year

Fiscal Year	Total
2007	\$1,151,987
2008	\$1,477,987
2009	\$1,546,746

## Expected Future Claims by Fiscal Year:

Table 5. Endow Iowa Tax Credit  
Expected Claims by Fiscal Year

Fiscal Year	Total
2010	\$2,291,594
2011	\$2,800,104
2012	\$3,147,211
2013	\$3,242,527
2014	\$3,286,855

**Estimated Timing of Claims and Impact of Potential Law Change:**

Award year claims are translated into fiscal year liabilities based on the timing of claims observed since tax year 2006 using data collected from the IA 148 Tax Credits Schedule which is filed with tax returns claiming tax credits. Claims are made several fiscal years following the year in which the award is made because the credit is non-refundable but can be carried forward for five years. Current estimates suggest 36 percent of claims for this credit are made in the first fiscal year following the year for which the award is made, 30 percent are made in the second fiscal year following the award year, and 4 percent are made in the third fiscal year. Claim rates for years four and five are set equal to year three. Therefore, it is assumed that only 79 percent of the awarded credits will be claimed before expiration. These numbers will change as more claims data becomes available.

Therefore, 36 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011, and 30 percent will be attributed to fiscal year 2012.

# Enterprise Zone Program, Housing Component

## Iowa Department of Economic Development

### Description:

To encourage investment in Iowa's economically distressed areas, state tax credits and refunds of state sales and uses tax are available for qualifying housing businesses that build and rehabilitate housing units in designated Enterprise Zones.

The Housing Enterprise Zone Program started in 1998 provides incentives in the form of a state sales tax refund and a 10% tax credit for investment by Contractors or Developers to build or rehabilitate Housing units inside the State's Enterprise Zones. The projects approved by the local commissions are frequently a part of wider planning in the Enterprise Zones and are also often coordinated with other local or state programs to increase Housing or stabilize areas hit by a disaster.

Projects must consist of at least 4 single family housing units or a multi family project or upper story building with at least 3 units of housing. Both new construction and rehabilitation are eligible under the program.

Local Enterprise Zone Commissions and local Communities must first approve any Housing Projects before they are submitted to the IDED. The Housing Projects must be completed within two years and the 10% State Tax Credit, based on eligible costs in the application, is not earned until the local Commission Certifies that the project has been completed and also meets any additional local requirements.

**Year Enacted:** 1998

**Effective Date:** July 1, 1998

**Legislative Act:** 1998 Iowa Acts, ch1179 (H.F. 2538)

**Code Citation(s):** Code of Iowa 15E.193B; additional 15E.191 through 196, 422.11F(2), 422.33 (12)(b), 533.329 (e). Iowa Administrative Code 261.59; additional 701.42.2(10), 701.42.13, 701.52.7 95 0, 701.52.14, 701.52.15, 701.58.8.

**Sunset Date:** Not Applicable

### Major Provisions:

**Awarded or Automatic** – Awarded

**Transferable** – Enterprise Zone certificates issued to eligible housing businesses for Housing Investment Tax Credits may be transferred if low income housing tax credits authorized under section 42 of the Internal Revenue Code are also used to assist in financing the housing development or if the housing development is located in a brownfield site as defined in section 15.291 or a blighted area as defined in section 403.17. All other credits are not transferable.

**Refundable** – Only state sales, service, and use tax.

**Carry Forward** – Tax credit may be carried forward for a maximum of 7 years.

**Benefits and Costs:**

A refund of state sales, service, or use taxes paid for eligible costs by contractors or subcontractors during construction. The Iowa Department of Revenue reviews and pays the refund based on actual costs documented at completion. A Housing Investment Tax Credit of up to 10 percent of the new investment not to exceed \$14,000.00 per housing unit which is directly related to the building or rehabilitating of a minimum of four single-family homes or one multiple dwelling unit building containing three or more individual dwelling units may be claimed on the tax return by the Builder after the local Enterprise Zone Commission certifies Project completion.

The program has helped provide incentives for 9,600 Housing Units in the state's 40 eligible counties and 19 cities since its inception in 1998, at an average annual cost of \$10.3 million the past three years. In recent months, some of the projects approved by this program have added housing to areas hit by the flood of 2008.

**Information Disclosure:** No restrictions on the type of information available. Information on awardees is available to the public by making a request to project staff. The submitted applications along with complete information on the awardees, number of units, whether the project is a rehabilitation of housing units or new construction, and the amount of the awarded benefits are made available upon request.

**Oversight Responsibility:**

- Original application is first discussed, reviewed, and is approved by the local enterprise zone commission who sign the application and also supply a resolution and minutes of their meeting to the IDED.
- IDED staff then reviews all applications for eligibility, feasibility, and program requirements. The same review then takes place by an IDED supervisor and if needed the local commission and applicant supply answers or more information as needed. Approval is obtained after review by Fiscal and IDED management. IDED then sends the award letter with copies to the local officials, legislators, and local enterprise zone commission contact. Standard award letter content is reviewed by IDED legal counsel.
- IDED prepares a contract that is then signed by the local government, the IDED, and the project developer. Shell contract documents are prepared in cooperation with IDED legal counsel.
- During the process of construction the local EZ Commission supplies progress reports to the IDED which maintains a list of active projects which is shared with the Department of Revenue.
- The Iowa Department of Revenue reviews all claims for sales tax refunds including documentation from the builders.
- Project completion must be verified by the local EZ Commission before applicant claims their credit.
- During the process and after completion the IDED works closely with Department of Revenue and the Local Commissions to ensure projects are completed according to the Contract before tax Credits are allowed.
- A limited number of housing credits are transferable and IDED staff and the Department of Revenue work together to insure that only eligible and completed projects are approved for transfer (Only projects also getting federal section 42 Low Income Housing Credits and projects in certified brownfield or blighted areas can transfer credits).



**Award/Claim Details by Fiscal Year:**

	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
Total # of projects	49	48	51	19
Total # of units created or rehabilitated	641	945	1617	283
Total project costs	\$82,311,949.00	\$117,809,457.00	\$266,086,854.00	\$33,613,922.00
Awards of sales & use tax refund	\$1,497,266.00	\$1,780,981.00	\$3,669,739.00	\$681,449.00
Awards of investment tax credit	\$5,614,458.00	\$7,923,494.00	\$10,654,190.00	\$1,921,147.00
Total awards	\$7,111,724.00	\$9,704,475.00	\$14,323,929.00	\$2,602,596.00
Average benefit per unit	\$11,094.73	\$10,269.29	\$8,858.34	\$9,196.45

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

Accurate claim information is not currently available for these tax years as many claims did not include tax credit certificate numbers to identify the project or program that generated the investment tax credit. Awarding agencies were not required to issue certificate numbers to projects that were approved before the creation of the Tax Credit Tracking and Analysis Program in fiscal year 2006, therefore, until those awards have been exhausted or expire there will continue to be holes in the data.

**Expected Future Claims by Fiscal Year:**

Business Enterprise Zone Tax Credit Program Expected Claims** by Fiscal Year	
Fiscal Year	Total
2010*	\$10,099,072
2011	\$10,269,679
2012	\$11,816,187
2013	\$12,133,241
2014	\$12,111,005

\*July through November, 2009

\*\* Estimate apportioned from Dept. of Revenue total of for all Enterprise Zone credits for housing and business awards.

# Enterprise Zone Tax Credit (Business Only)

## Iowa Department of Economic Development

### Description:

To encourage investment in Iowa's economically distressed areas, local and state tax credits, refunds and exemptions are available for qualifying companies that expand or locate in designated Enterprise Zones.

A business locating or expanding in an Enterprise Zone may receive multiple tax incentives, including:

- A local property tax exemption on the value added to the property for up to 10 years.
- Supplemental New Jobs Credit from Withholding, which provides additional funding for training new employees. If applicable, these funds would be in addition to those authorized under the Iowa New Jobs Training Program.
- A refund of state sales, service, or use taxes paid to contractors or subcontractors during construction.
- An Investment Tax Credit of up to 10 percent of the new investment in machinery and equipment, land, buildings, and improvements to existing buildings. This tax credit may be carried forward for up to seven years. For Enterprise Zone projects approved on or after July 1, 2005, the investment tax credit must be amortized over a five year period.
- A Supplemental Research Activities Tax Credit may be awarded to a company participating in the program. The supplemental credit could allow the company to as much as double their Research Activities Tax Credit for up to ten years.

To receive these benefits:

- The business must make a minimum capital investment of \$500,000.
- The business must create or retain at least 10 full-time equivalent positions and maintain them until the maintenance period completion date.
- The business shall provide a sufficient package of benefits to each employee holding a created or retained job.
- The business cannot be a retail establishment or a business whose entrance is limited by cover charge or membership.
- The business must pay an average wage that is at least 90 percent of the qualifying wage threshold.
- If the business is only partially located in an Enterprise Zone, the business must be located on contiguous parcels of land.
- The business cannot close or reduce its operation in one area of the state and relocate substantially the same operation in the Enterprise Zone.

The local Enterprise Zone Commission and DED must approve the business' proposed project prior to project initiation.

The credit may be claimed against:

- Local Property Tax Exemption applies to the property tax.
- Supplemental New Jobs Credit applies to the withholding tax.
- Sales Tax Refund applies to the sales and use tax.
- Investment Tax Credit applies to corporate income, individual income, franchise, insurance premium, and moneys and credits taxes.
- Supplemental Research Activities Tax Credit applies to corporate income and individual income taxes.

**Year Enacted:** 1997

**Effective Date:** July 1, 1997

**Legislative Act:** House File 724; 97 Acts, ch 144, §1

**Code Citation(s):**

Section 15E.191 through 15E.196, Code of Iowa (program description)

Section 15E.197, Code of Iowa, (supplemental withholding credit – withholding tax)

Section 15.333, Code of Iowa, (amortization over five years of investment tax credit)

Section 422.10 (5), Code of Iowa, (Supplemental Research Activities Tax Credit)

Section 422.11F (2), Code of Iowa, (investment tax credit)

Section 422.33 (5) (f), Code of Iowa, (Supplemental Research Activities Tax Credit)

Section 422.33 (12) (b), Code of Iowa, (investment tax credit)

Section 533.329 (e), Code of Iowa, (moneys and credits tax)

**Sunset Date:** None

**Major Provisions:**

**Awarded or Automatic – Awarded**

**Transferable –** Business credits may not be transferred

**Refundable –**

- Local Property Tax Exemption is not refundable.
- Supplemental New Jobs Credit is not refundable.
- Sales Tax Refund is refundable.
- Investment Tax Credit is generally not refundable. Investment Tax Credit is refundable for value-added agricultural or biotechnology projects, subject to successful completion of the project and the cap of \$4 million per fiscal year.
- Supplemental Research Activities Tax Credit is refundable.

**Carry Forward –** Any non-refundable credit in excess of tax liability may be carried forward for up to seven years.

**Benefits and Costs:**

From July 1, 2006 through November 2009, awards have been made to 76 active and completed projects, to create or retain a total of 4,334 jobs. Tax credits awarded over this period total \$132 million, and are expected to leverage about \$1.9 billion in capital investment. Enterprise Zone tax credit awards peaked in FY 2007 at \$85 million, due to a number of ethanol plant projects.

The table below shows estimated state incentive costs as they relate to projected state tax increases due to the Enterprise Zone projects:

EZ	SFY 07	SFY 08	SFY 09	SFY 10	7/06 -11/09
State Tax	\$ 124,117,206	\$ 68,519,585	\$45,244,103	\$ 24,417,672	\$ 262,298,566
State Cost	\$ 74,421,918	\$ 27,573,793	\$27,017,494	\$ 6,952,926	\$ 135,966,130
Tax - Cost	\$ 49,695,288	\$ 40,945,791	\$18,226,609	\$ 17,464,747	\$ 126,332,436
Tax / Cost (FIR)	1.67	2.48	1.67	3.51	1.93

*All numbers are in Net Present Value. State Costs include all awards – tax credits, direct awards, 260E, RISE, OEI, etc.*

State Tax – estimated tax revenue generated by the project for a ten-year period

State Cost – tax credit award made to the project

Tax (-) Cost – difference between estimated tax revenue and award

Tax (/) Cost – Fiscal Impact Ratio (FIR) means a ratio calculated by estimating the amount of taxes to be received from a business by the state and dividing the estimate by the estimated cost to the state of providing certain financial incentives to the business, reflecting a ten-year period of taxation and incentives and expressed in terms of current dollars. The FIR does not include taxes received by political subdivisions.

**Information Disclosure:** Program information is available on the Iowa Department of Economic Development website and in our Agency annual report. Information is available on a monthly basis immediately following the IDED Board meeting, and is posted under News Releases on the website. This information includes project descriptions, jobs, wages, and private capital investment. Additional non-confidential information on applications is also available upon request.

**Oversight Responsibility:** All applicants who meet the criteria in the Code are eligible to apply for assistance in this program. The IDED Board has the discretion to determine whether to award/decline or defer an award. The recommendation to the Board for potential award is based on a recommendation from IDED staff, including the Director, defining how much to award, up to the statutory maximum (10% of the qualified capital expenditures). The key factors in this decision include, but not limited to:

- the recipient company is in a targeted industry (advanced manufacturing, information technology, life science),
- qualified capital investment,
- number of quality jobs,
- wages and benefits provided,
- other potential state, federal and local assistance being leveraged,
- competitiveness with non-Iowa locations,
- fiscal impact to the State treasury (calculated via the fiscal impact ratio (FIR) model,
- location under consideration in Iowa, and;
- availability of tax credits under the new tax credit cap.

If awarded, the project moves to the IDED Legal & Compliance team for contract initiation. All contracts are processed through the established review procedures that involve sign-off from Staff, Division Coordinator/Division Administrator, Deputy Director or Director and IDED Legal Counsel. At specified milestones within the contract, the

Legal and Compliance team will apply appropriate review/audit of the project for performance compliance.

#### Award/Claim Details by Award/Tax Year:

ACTIVE AND COMPLETED PROJECTS				TAX BENEFITS						
program	FY	projects	Capital Investment	Job Training	Sales Tax Refund	Racking/Shelving	Investment Tx Cr	3rd Party Corp.	R & D	Total Est Tax Benefit
EZ	FY2010	10	\$166,719,951	\$661,042	\$636,282	\$30,000	\$5,083,145	\$0	\$82,875	\$6,493,344
EZ	FY2009	12	\$311,884,494	\$506,404	\$2,156,250	\$183,600	\$10,719,625	\$0	\$1,314,058	\$14,879,937
EZ	FY2008	24	\$363,260,151	\$1,589,039	\$4,184,827	\$1,750	\$19,520,328	\$0	\$512,750	\$25,808,694
EZ	FY2007	30	\$1,064,100,099	\$79,587	\$8,865,052	\$0	\$74,974,236	\$0	\$1,323,445	\$85,242,320

ACTIVE AND COMPLETED PROJECTS				Projected Qualifying Jobs		Projected Other Jobs		Tax Benefit per
program	FY	projects	Capital Investment	Created	Retained	Created	Retained	Qualifying Job
EZ	FY2010	10	\$166,719,951	360	259	165	1	\$8,272
EZ	FY2009	12	\$311,884,494	399	49	11	-	\$32,418
EZ	FY2008	24	\$363,260,151	1,464	66	161	4	\$15,226
EZ	FY2007	30	\$1,064,100,099	821	386	187	1	\$61,106

#### Claims Tables by Tax Type for 2006 and 2007 Tax Years:

Accurate claim information is not currently available for these tax years as many claims did not include tax credit certificate numbers to identify the project or program that generated the investment tax credit. Awarding agencies were not required to issue certificate numbers to projects that were approved before the creation of the Tax Credit Tracking and Analysis Program in fiscal year 2006, therefore, until those awards have been exhausted or expire there will continue to be holes in the data.

#### Expected Future Claims by Fiscal Year:

Business Enterprise Zone Tax Credit Program Expected Claims** by Fiscal Year	
Fiscal Year	Total
2010*	\$39,746,677
2011	\$40,418,135
2012	\$46,504,688
2013	\$47,752,508
2014	\$47,664,995

\* July through November, 2009

\*\* Estimate apportioned from Dept. of Revenue total of for all Enterprise Zone credits for housing and business awards.

# Ethanol Promotion Tax Credit

## Iowa Department of Revenue

### Description:

A tax credit is available to retail dealers of ethanol blended gasoline. The amount of the tax credit is based on the pure amount of ethanol gallons sold. For example, 10 gallons of E10 equals one gallon of pure ethanol. The credit is repealed on January 1, 2021.

The amount of the tax credit depends on whether the retail dealer attains a biofuel threshold percentage, and how many gallons of motor fuel are sold in a year. The biofuel threshold percentage for retail dealers who sell more than 200,000 gallons in a calendar year, and dealers who sell 200,000 gallons or less in a year, are set forth below:

Calendar Year	Biofuel Threshold Percentage - More than 200,000 gallons per year	Biofuel Threshold Percentage - 200,000 gallons or less per year
2009	10%	6%
2010	11%	6%
2011	12%	10%
2012	13%	11%
2013	14%	12%
2014	15%	13%
2015	17%	14%
2016	19%	15%
2017	21%	17%
2018	23%	19%
2019	25%	21%
2020	25%	25%

The credit is calculated separately for each retail motor fuel site. For any year in which the retail dealer has met the threshold, the credit is 6.5 cents for each gallon of pure ethanol sold. If the retail dealer misses the threshold by 2 percentage points or less, the credit is 4.5 cents for each gallon of pure ethanol sold. If the retail dealer misses the threshold by more than 2 percentage points but not more than 4 percentage points, the credit is 2.5 cents for each gallon of pure ethanol sold. If the retail dealer misses the threshold by 4 percentage points or more, then no credit is allowed.

The retail dealer determines its biofuel distribution percentage by summing the pure ethanol gallons and the pure biodiesel gallons sold during the calendar year at all retail

motor fuel sites, and dividing this sum by the total gasoline gallons sold during the calendar year. While the pure biodiesel gallons are included in the computation of the biofuel distribution percentage to determine if the threshold is met, only the pure ethanol gallons sold are used in determining the amount of the credit.

Example: A retail dealer only operates one motor fuel site. The number of gallons of gasoline sold at this site in 2009 equals 100,000 gallons. This consisted of 5,000 gallons of E85, 80,000 gallons of E10 and 15,000 gallons not containing ethanol. The dealer also sold 15,000 gallons of diesel fuel at this site during 2009, of which 5,000 gallons was B2 (2 percent biodiesel). The pure ethanol gallons is 11,950 (5,000 times 79 percent equals 3,950; 80,000 times 10 percent equals 8,000; 3,950 plus 8,000 equals 11,950). The pure biodiesel gallons sold is 100, or 5,000 times 2 percent. The total of 11,950 and 100, or 12,050, is divided by the total gasoline gallons sold of 100,000 to arrive at a biofuel percentage of 12.05 percent. Since this exceeds the 6 percent threshold for a dealer selling less than 200,000 gallons, the credit is 6.5 cents times 11,950, or \$777.

A retail dealer of gasoline will be able to claim the Ethanol Promotion Tax Credit even if the dealer claims an E85 Gasoline Promotion Tax Credit for the same tax year for the same ethanol gallons sold.

For retail dealers of gasoline whose tax year is not on a calendar year basis, the retail dealer must compute the biofuel distribution percentage and tax credit separately for gallons sold during each calendar year which comprises the dealer's tax year using the applicable credit amounts as shown above. A retail dealer of gasoline whose tax year ends prior to December 31, 2020, can continue to claim the tax credit in the following tax year for any pure ethanol gallons sold through December 31, 2020. For a retail dealer whose tax year is not on a calendar year basis and who did not claim the Ethanol Promotion Tax Credit on the previous return, the dealer may claim the credit for the current tax year for the period beginning on January 1 of the previous tax year to the last day of the previous tax year.

The credit may be claimed against either individual income tax or corporate income tax.

**Year Enacted:** 2006

**Effective Date:** January 1, 2009

**Legislative Act:** House File 2754

**Code Citation(s):** Section 422.11N, Section 422.33(11A)

**Sunset Date:** January 1, 2021

**Major Provisions:**

**Awarded or Automatic** – Automatic

**Transferable (if yes, how many times)** – No

**Refundable** – Yes

**Carry Forward** – Yes, one year

**Benefits (including Return on Investment) and Costs:** The Ethanol Promotion Tax Credit is replacing the Ethanol Blended Gasoline Tax Credit beginning in the 2009 tax year. The Ethanol Blended Gasoline Tax Credit, available for tax years 2002 through 2008, equaled 2.5 cents per gallon of gasohol sold at a retail location above 60 percent

of total gasoline sales. In 2006, an estimated 70 percent of retail locations in the state made a claim for the Ethanol Blended Gasoline Tax Credit.

An evaluation study completed in early 2009 by the Department of Revenue noted the following:

- Since 2002, the Ethanol Blended Gasoline Tax Credit has been claimed on over 969 million gallons of the 4.2 billion gallons in gasohol sales reported by eligible retailers. These claims translate into an average credit of \$0.0059 per gallon of total gasohol sold by participating retailers.
- In January 2000, Iowa and its neighboring states, excluding Minnesota and Missouri, reported that gasohol's share of total gasoline sales was less than 50 percent. The shares in Illinois and Iowa moved above 50 percent by June 2000, followed by South Dakota in April 2002. Nebraska crossed the 50 percent gasohol threshold in January 2005 and Wisconsin, in September 2005, while North Dakota and Kansas did not reach that point until late in 2007. The gasohol share has been rising over time for nearly all states except for Indiana with its share flat around 42 percent.
- Between 2002 and 2007, Iowa's percentage point change in its annual gasohol share was just above the Midwestern state average and its percentage change was below the Midwestern state average. Despite the slower percentage growth, Iowa maintained its rank of the second highest gasohol share after Illinois.
- Projections of Ethanol Promotion Tax Credit claims suggest that the State will reduce credit payouts compared to the Ethanol Blended Gasoline Tax Credit while targeting credit dollars toward retailers who also offer E85 and biodiesel.
- Similar to the credit it is replacing, the actual credit amount for which a retailer is eligible will not be known until the end of the tax season. With this uncertainty about the per gallon credit earned, it is unlikely that any benefit of the credit will be passed on to the consumer through lower sales prices.
- An analysis of gasohol sales shares across Iowa counties could not provide conclusive evidence that retailers who made claims to the Ethanol Blended Gasoline Tax Credit sold a higher share of gasohol than those retailers not making claims.

It is not possible to quantify the return on investment for this tax credit at this time.

**Information Currently Disclosed to the Public about the Tax Credit:** Aggregate ethanol consumption statistics are reported in the Annual Retailers Motor Fuel Gallons report and aggregate tax credit claims are reported in the Annual Tax Credit Claims report. These reports are available on the Department of Revenue Web site. No information is publicly available by either individual motor fuel retail location or by tax credit claimant.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time



**Claim Details by Tax Year:**

No claims data available because this is a new credit.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

Credit was not available in either tax year.

**Historic Claims Table by Fiscal Year:**

**Table 4. Ethanol Promotion Tax Credit  
Historic Claims by Fiscal Year**

Fiscal Year	Total
2009	\$10,099

**Expected Future Claims by Fiscal Year:**

**Table 5. Ethanol Promotion Tax Credit  
Expected Claims by Fiscal Year**

Fiscal Year	Total
2010	\$1,649,391
2011	\$5,039,222
2012	\$4,210,465
2013	\$3,731,676
2014	\$3,031,636

**Estimated Timing of Claims and Impact of Potential Law Change:**

Based on claims data available from the IA 148 filed starting with tax year 2006 returns, for the Ethanol Blended Gasoline Tax Credit, the credit which the Ethanol Promotion Tax Credit is replacing, it is estimated that 30 percent of claims for this credit are made in the first fiscal year following the tax year for which the claim is made, 69 percent are made in the second fiscal year following the tax year, and 1 percent in the third fiscal year after the tax year. These numbers will change as more claims data becomes available.

Therefore, 30 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011, and 69 percent will be attributed to fiscal year 2012.

# Film, Television, and Video Project Promotion Program

## Iowa Department of Economic Development

### Description:

Starting in 2007, tax credits are available to assist legitimate film, television, and video producers in the production of projects in the state and to increase the fiscal impact on the state's economy of film, television, and video projects produced in the state.

In order to qualify for the benefits of the program a project that is shooting on location in the State of Iowa will have to register with DED. DED will determine that all of the following criteria are met:

- The project is a legitimate effort to produce an entire film, television, or video episode or segment in the state.
- The project will include expenditures of at least \$100,000 in the state and have an economic impact on the economy of the state or the locality sufficient to justify assistance under the program.
- The project will further tourism, economic development, and population retention or growth in the state or locality.
- The project is intended to be widely distributed beyond the Midwest region.
- The project has commitments for at least 50 percent of the funding.
- Other criteria established by rule relating to the economic impact and promotional aspects of the project on the state or locality are met.

Due to the law change in 2009, for the purpose of qualified expenditures, labor and personnel includes compensation that is paid to the principal producer, principal director, and principal cast members if the principal producer, principal director, or principal cast members are Iowa residents or an Iowa-based business and if the compensation paid meets one of the following conditions:

- If total of qualified expenditures is between \$10 million and \$20 million, then qualifying compensation paid to each principal producer, principal director, or principal cast member shall not exceed \$250,000 each.
- If the total of qualified expenditures is at least \$20 million, then the qualifying compensation paid shall not exceed \$1 million each.

Compensation that is paid to labor and personnel other than the principal producer, principal director, or principal cast members qualifies if the compensation meets one of the following conditions:

- If qualified expenditures is less than \$10 million, then the qualifying compensation paid to labor and personnel shall not exceed \$150,000 each.
- If the total of qualified expenditures is between \$10 million and \$20 million, then qualifying compensation paid shall not exceed \$200,000 each.
- If the total of qualified expenditures is at least \$20 million, then qualifying compensation paid shall not exceed \$300,000 each.

The amount of the Film Expenditure Tax Credit will be equal to an amount not to exceed 25 percent of qualified expenditures on a project. The amount of the Film Investment Tax Credit will be equal to an amount not to exceed 25 percent of the investment in the

project. DED may negotiate the amount of the tax credits. Regardless, only 25% will be eligible for credit.

The same taxpayer cannot claim both an expenditure tax credit and an investment tax credit on the same project.

The credits may be claimed against corporate income, individual income, franchise, insurance premium, and moneys and credits taxes.

**Year Enacted:** 2007

**Effective Date:** January 1, 2007

**Legislative Act:** House File 892

**Code Citation(s):** Section 15.391 through 15.393, Section 422.11T, Section 422.11U, Section 422.33 (24), Section 422.33 (25), Section 422.60 (13), Section 422.60 (14), Section 432.12J, Section 432.12K, Section 533.329 (f), Section 533.329 (g)

**Sunset Date:** None

**Major Provisions:**

**Awarded or Automatic** – Awarded

**Transferable** – Yes

**Refundable** – No

**Carry Forward** – Yes, five years

**Benefits and Costs:** \$32 million tax credits issued. Fiscal benefit to the state treasury is limited, however, other intangible and/or more localized benefits may exist. Growth in existing film, media and video infrastructure (personnel, technical expertise, etc.) has occurred over the past two years in Iowa. Even with these benefits considered, positive fiscal impact to the State treasury is not expected under current program structure.

**Information Disclosure:** Information is available via IDED's annual report, located on the IDED website. All public and non-confidential information is available upon request, pending the outcome of the civil and criminal investigations.

**Oversight Responsibility:** Currently, IDED has an interim film office manager (in-house IDED staff) that provides point of contact for the industry inquiries. As contracts are being advanced for approval for the outstanding applicants, each contract is generated from the IDED Legal and Compliance team and reviewed by a series of IDED staff, including the Interim Film Office Manager, Business Development Division Administrator, IDED Legal Counsel, Fiscal officer, and Legal and Compliance staff. It is then advanced for IDED Director signature. Final processes and procedures are being established at this time that will likely expand oversight within IDED.

**Award Details by Award Year:**

Prior to the suspension of the program, for FY10 approved projects, estimated in-state spending was \$74 million. \$33 million of the \$50 million cap had been "reserved" for the projects, pending contracts.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

There were no claims in 2006 as the program had not yet been enacted.

**Table 3. Film Expenditure Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	7	\$0	\$1,422,859	\$1,422,859	\$1,422,662	\$0	\$197
Individual Income Tax	11	\$0	\$259,482	\$259,482	\$232,244	\$0	\$27,238
<b>Total</b>	<b>18</b>	<b>\$0</b>	<b>\$1,682,341</b>	<b>\$1,682,341</b>	<b>\$1,654,906</b>	<b>\$0</b>	<b>\$27,435</b>

**Table 3a. Film Investment Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Individual Income Tax	94	\$0	\$237,841	\$237,841	\$227,580	\$0	\$10,261
<b>Total</b>	<b>94</b>	<b>\$0</b>	<b>\$237,841</b>	<b>\$237,841</b>	<b>\$227,580</b>	<b>\$0</b>	<b>\$10,261</b>

### Historic Claims Table by Fiscal Year:

**Table 4. Film Expenditure and Investment Tax Credits Historic Claims by Fiscal Year**

Fiscal Year	Total
2007	\$0
2008	\$290,212
2009	\$5,250,574

### Expected Future Claims by Fiscal Year:

To be determined

### Estimated Timing of Claims and Impact of Potential Law Change:

Based on claims data available from the IA 148, filed starting with tax year 2007 returns, it is estimated that 35 percent of claims for this credit are made in the first fiscal year following the tax year for which the claim is made, 42 percent are made in the second fiscal year following the tax year, and 14 percent in the third fiscal year after the tax year. These numbers will change as more claims data becomes available.

Therefore, 35 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011, and 42 percent will be attributed to fiscal year 2012.

# Franchise Tax Credit

## Iowa Department of Revenue

### Description:

If a financial institution as defined in Section 581 of the Internal Revenue Code elects to file as an S corporation for federal income tax purposes and therefore have its income taxed directly to the shareholders, those shareholders qualify for a franchise tax credit equal to the shareholder's pro-rata share of the Iowa franchise tax paid by the financial institution.

The credit may be claimed against either individual income tax or corporate income tax.

**Year Enacted:** 1997

**Effective Date:** January 1, 1997

**Legislative Act:** Senate File 553

**Code Citation(s):** Section 422.11, Section 422.33 (8)

**Sunset Date:** None

### Major Provisions:

**Awarded or Automatic** – Automatic

**Transferable (if yes, how many times?)** – No

**Refundable** – No

**Carry Forward** – No

**Benefits (including Return on Investment) and Costs:** This tax credit provides a mechanism for preventing the double taxation of income earned by banks and other institutions subject to the Iowa franchise tax, which is imposed at a flat rate of 5 percent of taxable income in comparison to individual income tax with a top marginal tax rate of 8.98 percent and corporate income tax with a top marginal rate of 12.0 percent.

Return on investment is not meaningful for this tax credit.

**Information Currently Disclosed to the Public about the Tax Credit:** Information on the number of credit claims and the aggregate amount of tax credit claims is published in the Annual Tax Credit Claims Report beginning with the 2006 tax year. Prior to that time no information on taxpayers that claimed this credit was available. The 2006 report is available on the Department's Web site. No information by taxpayer is publicly available. Release of individual taxpayer information is prohibited by State law.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

### Award Details by Tax Year:

**Table 1. Franchise Tax Credit Award Details by Tax Year**

Tax Year	Number	Average	Minimum	Maximum	Total
2006	2,116	\$5,789	\$0	\$331,023	\$12,249,007
2007	2,443	\$5,316	\$0	\$276,388	\$12,988,066

Note: These credit amounts are referred to as awards because they account for the full amount of the credit reported by the taxpayer as opposed to the potentially lower amount of the non-refundable credit that the taxpayer was able to claim against tax liability.

### Claims Tables by Tax Type for 2006 and 2007 Tax Years:

**Table 2. Franchise Tax Credit Claim Table for Tax Year 2006**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	17	\$0	\$25,263	\$25,263	\$24,834	\$429	\$0
Individual Income Tax	2,003	\$0	\$12,223,744	\$12,223,744	\$10,947,846	\$1,281,917	\$0
Total	2,020	\$0	\$12,249,007	\$12,249,007	\$10,972,680	\$1,282,346	\$0

**Table 3. Franchise Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	17	\$0	\$20,755	\$20,755	\$19,323	\$1,432	\$0
Individual Income Tax	2,271	\$0	\$12,967,311	\$12,967,311	\$11,596,102	\$1,388,691	\$0
Total	2,288	\$0	\$12,988,066	\$12,988,066	\$11,615,425	\$1,390,123	\$0

Note: The number of claims in Table 1 can differ from the number of taxpayers in Tables 2 and 3 if a taxpayer makes more than one claim to the credit in a tax year.

### Expected Future Claims by Fiscal Year:

No future claims estimates are made for this administrative tax credit. This credit exists to avoid the double taxation of the same income.

# High Quality Jobs Program

## Iowa Department of Economic Development

### Description:

The High Quality Job Program replaced the New Jobs and Income Program (NJIP) and the New Capital Investment Programs (NCIP). The amount of tax incentives awarded is dependent on the number of jobs created or retained and the qualifying investment made. Actual award amounts will be based on the business's level of need; the quality of the jobs; the percentage of created jobs defined as high-quality; and the economic impact of the project. The new and retained jobs must have a wage which is at least 130 percent of the average county wage and provide sufficient benefits to be eligible for these tax credits.

To be eligible to receive incentives a business shall meet all of the following requirements:

- If the qualifying investment is over \$10 million, the community has approved by ordinance or resolution the start-up, location, or expansion of the business.
- The business has not closed or substantially reduced operations in one area of this state and relocated substantially the same operations in a community in another area of this state. This requirement does not prohibit a business from expanding its operation in a community if existing operations of a similar nature in this state are not closed or substantially reduced.
- The business shall meet the qualifying wage thresholds.
- The business shall provide a sufficient package of benefits to each employee holding a created or retained job.
- The business shall demonstrate that the jobs created or retained will have a sufficient impact on state and local government revenues.
- The business shall not be a retail business or a business where entrance is limited by a cover charge or membership requirement.
- If a business is also the recipient of financial assistance under another program administered by DED and the other program requires the payment of higher wages than the wages required under this program the business shall be required to pay the higher wages.

The maximum tax credit awards available to a business are as follows:

Amount of Qualifying Investment	Number of Jobs Created or Retained with a Wage equal to 130% of the Average County Wage plus Sufficient Benefits				
	No Jobs*	1-5	6-10	11-15	16-30
Less than \$100,000	Up to 1% ITC	Up to 2% ITC	Up to 3% ITC	Up to 4% ITC	Up to 5% ITC
\$100,000 - \$499,999	Up to 1% ITC Sales Tax Refund	Up to 2% ITC Sales Tax Refund	Up to 3% ITC Sales Tax Refund	Up to 4% ITC Sales Tax Refund	Up to 5% ITC Sales Tax Refund
\$500,000 +	Up to 1% ITC Sales Tax Refund Supplemental Research Activities Tax Credit	Up to 2% ITC Sales Tax Refund Supplemental Research Activities Tax Credit	Up to 3% ITC Sales Tax Refund Supplemental Research Activities Tax Credit	Up to 4% ITC Sales Tax Refund Supplemental Research Activities Tax Credit	Up to 5% ITC Sales Tax Refund Supplemental Research Activities Tax Credit

\* Modernization or Retention Projects Only

Amount of Qualifying Investment	Number of Jobs Created or Retained with a Wage equal to 130% of the Average County Wage plus Sufficient Benefits				
	31-40	41-60	61-80	81-100	101+
\$10,000,000 or More	Up to 6% ITC	Up to 7% ITC	Up to 8% ITC	Up to 9% ITC	Up to 10% ITC
	Sales Tax Refund	Sales Tax Refund	Sales Tax Refund	Sales Tax Refund	Sales Tax Refund
	Supplemental Research Activities Tax Credit	Supplemental Research Activities Tax Credit	Supplemental Research Activities Tax Credit	Supplemental Research Activities Tax Credit	Supplemental Research Activities Tax Credit
	Property Tax Exemption	Property Tax Exemption	Property Tax Exemption	Property Tax Exemption	Property Tax Exemption

"Amount of Qualifying Investment" means a capital investment in real property including the purchase price of land, existing buildings and structures, site preparation, improvements to real property, building construction, and long-term lease costs. It also includes capital investment in depreciable assets. "ITC" means Investment Tax Credit or Insurance Premium Tax Credit. "Sales Tax Refund" means Sales and Use Tax Refunds or Refundable Corporate Income Tax Credit equal to Sales Taxes Paid by Developer.

The Investment Tax Credit is amortized equally over a 5-year period instead of the entire credit being available when the asset is placed in service. An Investment Tax Credit in excess of the tax liability can be credited to the tax liability for the following seven years.

The property tax exemption may be offered for up to 20 years.



The credit may be claimed against:

- Local Property Tax Exemption applies to the property tax.
- Sales Tax Refund applies to the sales and use tax.
- Third Party Sales Tax Credit applies to corporate income, franchise, insurance premium, and moneys and credits taxes.
- Investment Tax Credit applies to corporate income, individual income, franchise, insurance premium, and moneys and credits taxes.
- Supplemental Research Activities Tax Credit applies to corporate income and individual income taxes.

**Year Enacted:** 2005

**Effective Date:** July 1, 2005

**Legislative Act:** House File 868; 94 Acts, ch 1008, §4; 2005 Acts, ch 150, §42, 68, 69

Referred to in § 15.104

**Code Citation(s):** 15.326 – 15.337

**Sunset Date:** None

**Major Provisions:**

**Awarded or Automatic – Awarded**

**Transferable** – Credits may not be sold or traded. For the Investment Tax Credit and Supplemental Research Activities Tax Credit, credits awarded to pass-through entities shall be claimed by the entity's owners based on the share of the entity's income distributed to each owner.

**Refundable –**

- Local Property Tax Exemption is not refundable.
- Sales Tax Refund is refundable.
- Third Party Sales Tax Credit is refundable or may be carried forward for up to seven years.
- Investment Tax Credit is generally not refundable. Investment Tax Credit may be refundable for value-added agricultural and biotechnology projects, subject to the cap of \$4 million per fiscal year.
- Supplemental Research Activities Tax Credit is refundable.

**Carry Forward** – Any non-refundable credit in excess of tax liability may be carried forward for up to seven years.

**Benefits and Costs:**

From July 1, 2006 through November 2009, awards have been made to 106 active and completed projects, to create or retain a total of 9,295 jobs. Tax credits awarded over this period total \$240 million, and are expected to leverage about \$4.8 billion in capital investment. High Quality Job tax credit awards peaked in FY 2007 at \$156 million, due to a number of ethanol plant projects.

The table below shows estimated state incentive costs as they relate to projected state tax increases due to the High Quality Job projects:

HQ	SFY 07	SFY 08	SFY 09	SFY 10	7/06 -11/09
State Tax	\$ 214,087,333	\$ 201,071,631	\$52,411,491	\$ 20,068,371	\$ 487,638,827
State Cost	\$ 137,949,804	\$ 81,265,489	\$ 11,664,129	\$ 13,159,592	\$ 244,039,013
Tax - Cost	\$ 76,137,529	\$ 119,806,142	\$40,747,363	\$ 6,908,779	\$ 243,599,813
Tax / Cost (FIR)	1.55	2.47	4.49	1.52	2.00

*All numbers are in Net Present Value. State Costs include all awards – tax credits, direct awards, 260E, RISE, OEI, etc.*

State Tax – estimated tax revenue generated by the project for a ten-year period

State Cost – tax credit award made to the project

Tax (-) Cost – difference between estimated tax revenue and award

Tax (/) Cost – Fiscal Impact Ratio (FIR) means a ratio calculated by estimating the amount of taxes to be received from a business by the state and dividing the estimate by the estimated cost to the state of providing certain financial incentives to the business, reflecting a ten-year period of taxation and incentives and expressed in terms of current dollars. The FIR does not include taxes received by political subdivisions.

**Information Disclosure:** Program information is available on the Iowa Department of Economic Development website and in our Agency annual report. Information is available on a monthly basis immediately following the IDED Board meeting, and is posted under News Releases on the website. This information includes project descriptions, jobs, wages, and private capital investment. Additional non-confidential information on applications is also available upon request.

**Oversight Responsibility:** All applicants who meet the criteria in the Code are eligible to apply for assistance in this program. The IDED Board has the discretion to determine whether to award/decline or defer an award. The recommendation to the Board for potential award is based on a recommendation from IDED staff, including the Director, defining how much to award, up to the statutory maximum (10% of the qualified capital expenditures). The key factors in this decision include, but not limited to:

- the recipient company is in a targeted industry (advanced manufacturing, information technology, life science),
- qualified capital investment,
- number if quality jobs,
- wages and benefits provided,
- other potential state, federal and local assistance being leveraged,
- competitiveness with non-Iowa locations,
- fiscal impact to the State treasury (calculated via the fiscal impact ratio (FIR) model,
- location under consideration in Iowa, and;
- availability of tax credits under the new tax credit cap.

If awarded, the project moves to the IDED Legal & Compliance team for contract initiation. All contracts are processed through the established review procedures that involve sign-off from Staff, Division Coordinator/Division Administrator, Deputy Director or Director and IDED Legal Counsel. At specified milestones within the contract, the

Legal and Compliance team will apply appropriate review/audit of the project for performance compliance.

#### Award/Claim Details by Award/Tax Year:

ACTIVE AND COMPLETED PROJECTS				TAX BENEFITS						
program	FY	projects	Capital Investment	Job Training	Sales Tax Refund	Racking/Shelving	Investment Tx Cr	3rd Party Corp.	R & D	Total Est Tax Benefit
HQ	FY2010	9	\$130,461,177	\$0	\$923,154	\$0	\$4,866,875	\$0	\$151,125	\$5,941,154
HQ	FY2009	18	\$743,047,203	\$0	\$4,045,152	\$675,000	\$2,929,279	\$0	\$1,880,398	\$9,529,829
HQ	FY2008	42	\$1,234,581,077	\$0	\$11,528,303	\$279,650	\$45,572,282	\$0	\$10,660,193	\$68,040,428
HQ	FY2007	37	\$2,683,800,881	\$0	\$26,346,568	\$0	\$120,078,704	\$0	\$9,597,379	\$156,022,651

ACTIVE AND COMPLETED PROJECTS				Projected Qualifying Jobs		Projected Other Jobs		Tax Benefit per
program	FY	projects	Capital Investment	Created	Retained	Created	Retained	Qualifying Job
HQ	FY2010	9	\$130,461,177	353	6	83	-	\$13,442
HQ	FY2009	18	\$743,047,203	338	114	29	7	\$19,528
HQ	FY2008	42	\$1,234,581,077	2,482	329	463	2	\$20,769
HQ	FY2007	37	\$2,683,800,881	1,667	2,543	746	133	\$30,659

#### Claims Tables by Tax Type for 2006 and 2007 Tax Years:

Accurate claim information is not currently available for these tax years as many claims did not include tax credit certificate numbers to identify the project or program that generated the investment tax credit. Awarding agencies were not required to issue certificate numbers to projects that were approved before the creation of the Tax Credit Tracking and Analysis Program in fiscal year 2006, therefore, until those awards have been exhausted or expire there will continue to be holes in the data.

#### Expected Future Claims by Fiscal Year:

High Quality Jobs Tax Credit Program Expected Claims by Fiscal Year	
Fiscal Year	Total
2010	\$38,753,672
2011	\$39,339,528
2012	\$50,032,085
2013	\$55,101,167
2014	\$41,777,984

# Historic Preservation and Cultural and Entertainment District Tax Credit

## Iowa Department of Cultural Affairs

### Description:

The State Historic Tax Credit program provides a state income tax credit for the rehabilitation of historic buildings in keeping with the Secretary of the Interior's *Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings*. The program provides an income tax credit of 25% of qualified rehabilitation costs on eligible property. To qualify, the property or district must be designated as historically significant. Barns constructed before 1937 are also eligible. For commercial property, rehabilitation costs must equal at least 50 percent of the value of the property prior to rehabilitation excluding the land. For residential property or barns, rehabilitation costs must equal at least the lesser of \$25,000 or 25 percent of the property's market value prior to rehabilitation excluding the land. For housing, rehabilitation costs used to calculate the credit are capped at \$100,000 per unit.

There are multiple fund allocations for tax credit awards: 10 percent of the dollar amount of tax credits is to be awarded to small projects with qualified rehabilitation costs of \$500,000 or less (Small Projects Fund), 30 percent of the dollar amount of tax credits is to be awarded to projects in cultural and entertainment districts or to projects identified as part of a Great Places agreement (CED-GP Fund), 20 percent of the dollar amount of tax credits is to be awarded to disaster recovery projects (Disaster Recovery Fund), 20 percent of the dollar amount of tax credits is to be awarded to projects involving the creation of more than 500 new permanent jobs (New Permanent Jobs Fund), and 20 percent of the dollar amount of tax credits is to be awarded to any eligible projects (Statewide Fund).

Applications include three parts:

- Part 1 – eligibility (historic property is confirmed by a historian and architectural historian)
- Part 2 – scope of work (proposed work is reviewed by historic architect or preservation consultant against Secretary of the Interior's *Standards for Rehabilitation*; if approved, the tax credit is reserved for the project)
- Part 3 – project completion (completed work is reviewed by historic architect or preservation consultant against Secretary of the Interior's *Standards for Rehabilitation*; if approved, the tax credit certificate is issued)

Projects must begin before the end of the state fiscal year in which Part 2 of the application is approved and tax credits are reserved. Projects must be completed within 3 years of the date on which Part 2 of the application is approved and tax credits are reserved.

Small projects may be submitted at any time during the year, until all credits are reserved. However, due to the large number of applications received for the other four fund allocations, and due to the limited number of credits available, a sequencing process was enacted beginning in State Fiscal Year 2008 to ensure fair and adequate consideration of all applications. For those projects not eligible for the Small Projects Fund, Part 2 of the application must be submitted during the annual filing window,

typically the first ten working days of the fiscal year. All projects received during the filing window are divided into categories pursuant to the administrative rules. Random numbers are generated for each of the projects and the projects are then placed in order from lowest random number to highest. Reviews are carried out following the order on the sequencing list and the priorities established by Iowa Code and Administrative Rule. The sequencing process has been adjusted over the last two years to ensure projects are not permanently waiting for credits.

Beginning in State Fiscal Year 2008, tax credits may only be reserved out for three years.

**Year Enacted:** 2000  
**Effective Date:** July 1, 2000  
**Legislative Act:** Originally called the "Property Rehabilitation Tax Credit"  
2000 Acts, ch 1194

**Code Citation(s):** Section 404A, Code of Iowa (program description)  
Section 422.11D, Code of Iowa (individual income tax)  
Section 422.33(10), Code of Iowa (corporate income tax)  
Section 422.60(4), Code of Iowa (franchise tax)  
Section 432.12A, Code of Iowa (insurance premium tax)

**Administrative Rules Citation(s):**  
223 IAC 48  
701 IAC 42.15 (This citation is expected to change to 42.19 by the end of 2009)  
701 IAC 52.18  
701 IAC 58.10

**Sunset Date:**  
Not Applicable

**Major Provisions:**

**Awarded or Automatic**

Historic Tax Credits are awarded after the applicant submits and successfully completes all three parts of the application process. A tax credit certificate cannot be issued until after the rehabilitation work is complete, the property is placed in service and the final application Part 3 has been approved. The certificate is then attached to the applicant's tax return in the year for which the credit has been reserved.

**Transferable**

Starting in 2003, the Historic Preservation and Cultural and Entertainment District Tax Credit can be transferred to any person or entity. Any consideration received by the applicant from the transfer of the tax credit is not added to income, and any consideration paid by the transferee for the transfer is not deducted from income for the taxes to which the credit applies.

Within 90 days of transfer, the transferee must submit the transferred tax credit certificate to the Department of Revenue, which then has 30 days to issue a replacement tax credit certificate to the transferee.

Credits awarded to pass-through entities shall be claimed by the entity's owners based on the share of the entity's income distributed to each owner. Effective July 1, 2005, if low-income housing tax credits, authorized under section 42 of the Internal Revenue Code, are also used to finance the project, the tax credit earned by a partnership, LLC or S corporation can be claimed by individuals based on the amounts designated by the pass-through entity.

**Refundable**

Credits are refundable.

**Carry Forward**

Taxpayers may also elect to carry forward unused credits to the following year.

**Benefits (including Return on Investment) and Costs:**

The Department of Revenue, in conjunction with the DCA, developed a new survey document in July 2009 to assist the State in determining the overall return on investment for the Historic Preservation and Cultural and Entertainment District Tax Credit program. While the DCA fully believes the return on investment is much greater than the aggregate cost of the tax credits, until a sufficient number of survey forms are returned upon project completion, there is insufficient data to back up this claim. The Department of Revenue produced a preliminary report on previous survey data in March 2009. In that report, the return on investment varied greatly between Dubuque and Davenport, based on the limited survey data received.

What is known about the return on investment is that the state tax credit program ensures four dollars are spent on qualified rehabilitation costs for each dollar received as a tax credit after the project is completed. Often overall project costs are higher than the costs that qualify for the tax credit. However, the overall return on investment must also consider the construction jobs necessary to complete the work, the material purchased during construction, the localized economic stimulus during construction, and the property tax value increase once the work is done. Other factors must also include the resulting long-term retail, office, or housing units created as a result of the rehabilitation. For example, between State Fiscal Year 2001 and State Fiscal Year 2008, the program resulted in the creation of 1252 new housing units.

The historic tax credit is often paired with the federal historic tax credit or the federal low-income housing tax credit, bringing additional federal incentives into the state. It can also be paired with various federal grants and, of course, other private investments.

According to the March 2009 Department of Revenue report, each dollar of State tax credits (e.g., historic and Enterprise Zone) leveraged \$3.77 of "out of state" (e.g., federal tax credits or private investment) money.

**Information Currently Disclosed to the Public about the Tax Credit:**

Once a tax credit is reserved for a project, all information found on the tax credit application is available to the public unless it is otherwise protected (e.g., social security or tax payer identification numbers). This information includes, but is not limited to: property name and location; contact information for the applicant, preparer, and project manager; historic status of property; project type; assessed value of building; estimated/final qualified rehabilitation costs; information specific to tax credit fund

allocation; number of housing units before/after rehabilitation; number of low-moderate housing units before/after rehabilitation; floor area before/after rehabilitation; project start/completion date; and scope of work and photographs.

**Oversight Responsibility and Description of Oversight/Regulation Process:**

The program is administered by the State Historic Preservation Office (SHPO) within the State Historical Society of Iowa, a division of the Iowa Department of Cultural Affairs (DCA). The SHPO has on staff (and contracts with) the preservation professionals necessary to complete the reviews of Parts 1, 2, and 3 of the application. These staff members meet the Secretary of the Interior's Professional Qualifications Standards (36 CFR Part 61) for history, architectural history, and historic architecture.

As part of the annual sequencing process, a member of the State Auditor's staff is on hand to witness the random number generation.

Beginning in State Fiscal Year 2009, applicants with projects over \$500,000 are required to submit a statement by a CPA verifying the qualified rehabilitation costs claimed in Part 3 of the application. During summer and fall of 2009, guidance for "agreed upon procedures" for that CPA statement were developed with the assistance of staff from the State Auditor's office. As part of continuing program improvements, the SHPO is currently preparing similar documentation requirements for projects with qualified rehabilitation costs of \$500,000 or less. It is anticipated these requirements will require administrative rules changes and will be developed and enacted before the end of State Fiscal Year 2010.

DCA, in consultation with the Department of Revenue, is required to submit an annual report on the economic impact of the program, including data on the number and potential value of rehabilitation projects during the latest 12-month period, the total credits originally awarded during that period, the potential reduction in state tax revenues as a result of all tax credits still unused and eligible for refund, and the potential increase in local property tax revenues as a result of the rehabilitated projects (Section 404A.5, Code of Iowa).

**Recommendation(s):**

The Historic Tax Credit program consists of three parts. This year we have included an additional survey as part of the Part 3 application (report after project is completed) which must be received before a tax credit certificate is issued. This survey will allow us to track such information as jobs created, economic impact etc. Survey is attached.

In order to be more transparent about tax credits I feel a searchable database would be a good idea but would recommend that the Department of Revenue be designated as the single point of contact so all tax credit data will have some consistency.

Our program was expanded last session to merge historic preservation projects with incentives for an expansion of economic development opportunities in communities by adding a special allotment for projects that bring in 500 or more jobs. My only suggestion is that perhaps this number is too high. We were instrumental in helping to bring IBM to Dubuque by offering tax credits for the restoration of an historic department store into an office building and they actually brought in 1,300 jobs. However, most of our

communities do not have historic properties large enough to accommodate this many employees. It may be wise to lower that to 250. If this number is too low it weakens the incentive to restore larger historic properties.

I know there is talk of sunseting tax credits every three years. This would be problematic to this program as we reserve credits out for three years in advance. This forwarding of reservations gives applicants the ability to go ahead with construction and development knowing the credits will be there when the project is complete.

By having a cap on this tax credit program, it creates a huge administrative burden and a rush for applications. It would be more in line with the federal program if the cap was eliminated. Applications would come in as projects completed each Part and the limited staff we have could focus on monitoring the preservation standards and the accountability offered in the CPA statements. I realize this removal of the cap may seem unsettling but the ROI the state receives far outweighs the tax credit that is offered.

We know the STC program generates economic growth not only because it stimulates jobs and material purchases during construction, but also provides long-term retail, office or housing related jobs and economic stimulus. We also know by the very nature of preserving our historic resources, historic preservation is a vital component in our green initiative. Studies show when we preserve an existing building it saves 20% of construction materials from going to the landfill. We believe the STC program serves our state well by not only preserving our valuable historic resources for future generations of Iowans to enjoy and admire, but also by providing immediate and dramatic stimulus for economic growth in our state.

#### **Award Table by Award Year:**

**Table 1: Historic Preservation Tax Credit**

The following data is taken from the Historic Preservation and Cultural and Entertainment District Tax Credit database, housed at the Iowa Department of Cultural Affairs and represents credits awarded as of November 24, 2009. This is an update to the data presented in the March 2009 "Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit Program Evaluation Study," prepared by the Iowa Department of Revenue's Zhong Jin and Mike Lipsman (available online at [www.iowa.gov/tax/taxlaw/HistoricPreservationCreditStudyMar09.pdf](http://www.iowa.gov/tax/taxlaw/HistoricPreservationCreditStudyMar09.pdf)). Please note that due to the yearly cap on awards, projects often receive credits over multiple years. Each is shown in this table as a separate award. The 351 awards represents 140 individuals and/or businesses who have received tax credits in this program.

Fiscal Year	Awards	Credits Awarded	Summary Statistics			
			Minimum	Average	Maximum	Median
2001	18	\$2,400,000	\$5,933	\$133,333	\$602,790	\$56,250
2002	14	\$2,400,000	\$2,710	\$171,429	\$800,000	\$39,604
2003	8	\$2,400,000	\$10,000	\$300,000	\$696,210	\$293,750
2004	5	\$2,400,000	\$25,000	\$480,000	\$778,446	\$525,000
2005	8	\$2,400,000	\$3,417	\$300,000	\$959,246	\$52,375
2006	16	\$6,400,000	\$1,405	\$400,000	\$1,975,000	\$220,756
2007	18	\$6,400,000	\$5,886	\$355,556	\$1,662,250	\$175,000
2008	24	\$10,000,000	\$7,481	\$416,667	\$1,526,750	\$203,250
2009	47	\$15,000,000	\$903	\$319,149	\$2,331,399	\$107,270



2010*	86	\$47,781,031	\$6,250	\$555,593	\$10,000,000	\$122,500
2011*	79	\$45,592,567	\$1,000	\$577,121	\$8,500,000	\$181,813
2012*	25	\$45,000,000	\$125,903	\$1,800,000	\$9,000,000	\$728,214
2013**	1	\$72,425	\$72,426	\$72,426	\$72,426	\$72,426
2014**	2	\$83,246	\$23,863	\$41,623	\$59,383	\$41,623
<b>Total</b>	<b>351</b>	<b>\$188,329,269</b>				

\* Credits are still available for 2010, 2011, and 2012 in the Small Projects Fund

\*\* Credits listed for 2013 and 2014 were awarded before changes in tax credit legislation limited the number of years credits could be reserved.

**Table 2. Nonrefundable Historic Preservation and Cultural and Entertainment District Tax Credit Claim Table for Tax Year 2006**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount Carried Forward from Previous Tax Year</b>	<b>Amount of New Tax Credits for Current Tax Year</b>	<b>Total Amount of Tax Credits for Current Year</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>	<b>Amount of Expired Tax Credits</b>	<b>Amount of Tax Credits Carried Forward to Next Tax Year</b>
<b>Corporate Income Tax</b>	4	\$0	\$136,399	\$136,399	\$136,399	\$0	\$0
<b>Franchise Tax</b>	2	\$1,496	\$855,684	\$857,180	\$854,681	\$0	\$2,499
<b>Individual Income Tax</b>	2	\$1,496	\$408,184	\$409,680	\$397,425	\$0	\$12,255
<b>Insurance Premium Tax</b>	1	\$0	\$174,125	\$174,125	\$174,125	\$0	\$0
<b>Total</b>	<b>9</b>	<b>\$2,992</b>	<b>\$1,574,392</b>	<b>\$1,577,384</b>	<b>\$1,562,630</b>	<b>\$0</b>	<b>\$14,754</b>

**Table 2a. Refundable Historic Preservation and Cultural and Entertainment District Tax Credit Claim Table for Tax Year 2006**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Corporate Income Tax</b>	4	\$3,609,217
<b>Individual Income Tax</b>	2	\$176
<b>Total</b>	<b>6</b>	<b>\$3,609,393</b>

**Table 3. Refundable Historic Preservation and Cultural and Entertainment District Tax Credit Claim Table for Tax Year 2007**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
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Corporate Income Tax	3	\$890,794
Franchise Tax	6	\$856,716
Individual Income Tax	15	\$781,362
Insurance Premium Tax	4	\$3,583,211
<b>Total</b>	<b>28</b>	<b>\$6,112,083</b>

**Table 4. Historic Preservation and Cultural and Entertainment District Tax Credit Historic Claims by Fiscal Year**

Fiscal Year	Total
2007	\$1,002,945
2008	\$8,325,425
2009	\$7,236,585

**Table 5. Historic Preservation and Cultural and Entertainment District Tax Credit Expected Claims by Fiscal Year**

Fiscal Year	Total
2010	\$28,789,162
2011	\$35,694,607
2012	\$40,953,588
2013	\$45,778,341
2014	\$50,000,000

# **Iowa Industrial New Jobs Training Program (260E)**

## **Iowa Department of Economic Development**

### **Description:**

The Iowa Industrial New Jobs Training Program assists businesses, which are creating new positions, with new employee training. Eligible businesses may be new to Iowa, expanding their Iowa workforce, or relocating to the state. Employees qualifying for training services must fill newly-created positions and pay Iowa withholding tax.

A business must be engaged in interstate or intrastate commerce for the purpose of manufacturing, processing, assembling products, warehousing, wholesaling, or conducting research and development. A business which provides services must have customers outside of Iowa. A business cannot have closed or substantially reduced its employment base at any of its other business sites in Iowa in order to relocate substantially the same operation to another area of the state. The employees who will receive training must occupy job positions which did not exist during the six months prior to the date that the business and community college agree to pursue a training project. As part of the project, costs expended for on-the-job training can be no more than 50 percent of the annual gross payroll for up to one year of the new jobs.

The company's partner community college sells bonds to finance the cost of the established training. Dollars available through the program are dependent upon the training and development needs and the projected tax revenue from the new positions created. The business diverts 1.5 percent or 3 percent of gross payroll, depending on whether the project surpasses a wage threshold established annually by the Department of Economic Development (DED), from the Iowa state withholding taxes generated by the new positions to the community college to retire the bonds. According to statute, the bonds can also be paid off through tax increment financing (TIF), though in practice TIF was used during the early years of the program only. Current standard practice is the shift from local tax payers using property tax dollars to state taxpayers using withholding tax dollars. In 1999 changes were made to allow the use of withholding taxes from successful applicants to support bonds sold for companies defaulting on their training agreements. This effectively removed the default costs mechanism in the original legislation from property tax to withholding tax.

The company also is eligible to receive the Iowa New Jobs Credit equal to 6 percent of the taxable wages, which the employer is required to contribute to the state unemployment compensation fund (\$1,368 per job created in 2008, and \$1,422 per job created in 2009.). To receive the credit, the company must enter into a 260E agreement and increase Iowa employment by at least 10 percent.

Community colleges can receive reimbursement for reasonable administrative costs and legal fees incurred prior to the date of the preliminary agreement. According to 261 IAC 5.4(7), the community college may be reimbursed indirect costs at a rate determined annually. The rate will be determined by the Department of Education, based on function five and nine expenditures of the Iowa Area Community College uniform accounting system. The indirect cost rate and procedures will be communicated to the community colleges by DED. The indirect cost rate shall be applied against the total

issuance and taken by the college when the bonds are sold. Acceptable accounting procedures, as determined by the community college with the Department of Education and the state auditor, shall be followed in claiming indirect costs.

Each community college is allowed to hold the proceeds of the bond issuance in interest bearing accounts, reimbursing the company for actual training costs incurred.

The credit may be claimed against:

- New Jobs Credit from Withholding applies to withholding tax.
- Supplemental New Jobs Credit from Withholding applies to withholding tax.
- New Jobs Tax Credit applies to corporate income and individual income tax.

**Year Enacted:** 1983

**Effective Date:** August 9, 1983

**Legislative Act:** HF623

**Code Citation(s):** Section 260E, Section 15A.7, Section 15A.8, Section 422.11A, Section 422.16A, 422.16A; 422.33(6)

**Sunset Date:** None

**Major Provisions:**

**Awarded or Automatic** – Awarded

**Transferable** – No

**Refundable** – No

**Carry Forward** – Yes, ten years

**Benefits and Costs:**

	Number of Projects	260E Bond Amount	Planned New Jobs	Total Debt Service Costs*	Cost per Job
FY08	1300	\$66,180,000	9,610	\$86,034,000	\$8,952
FY09	1241	\$50,835,000	6,088	\$66,085,500	\$10,855

**\*Based on Community College projections of interest costs**

The program is very popular with employers. There is not a match required of the company nor any requirement for skill upgrades for the trained employees. The program is very flexible, paying for most types of training, including the purchase of equipment by the company for in-house training. The DED 260E database, created by the community colleges, shows the largest user of training reimbursement by the companies is for expenses categorized as On-The-Job training.

**Information Disclosure:** According to 260E.7, Code of Iowa, DED “shall prepare an annual report for the governor and general assembly on the activities of the industrial new jobs training program. Community colleges report to the IDED board by August 15 of each year. The report which becomes part of the department’s annual report contains the following information:

1. incremental property taxes and new jobs credits from withholding generated for the fiscal year
2. specific description of the training conducted
3. number of employees provided program services under the project
4. median wage of employees in the new jobs in the project

5. administrative costs directly attributable to the project

**Oversight Responsibility:** 260E is administered by the community colleges and coordinated by the DED. The community colleges make the final decision about applicant eligibility and all applicants who meet the criteria in the Code are awarded credits. A report by the Auditor of State issued in June, 2009, made several recommendations for better oversight of the program by the community colleges, the DED and the Dept of Revenue. A plan of action for the DED was developed at the Governor's request to address areas of concern noted in the report. The department has been in close communications with the community colleges moving forward with the plan, including the review of possible changes to rules.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years for CUMULATIVE bond projects:**

**Table 2. 260E Withholding Tax Credit Claim Table for Tax Year 2006**

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Withholding Tax	579	\$38,639,630
<b>Total</b>	<b>579</b>	<b>\$38,639,630</b>

**Table 2a. 260E Income Tax Credit Claim Table for Tax Year 2006**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	80	\$8,313,089	\$1,060,674	\$9,373,763	\$2,069,249	\$0	\$7,304,514
Individual Income Tax	1,159	\$3,017,323	\$1,468,420	\$4,485,743	\$1,215,793	\$28	\$3,270,313
<b>Total</b>	<b>1,239</b>	<b>\$11,330,412</b>	<b>\$2,529,094</b>	<b>\$13,859,506</b>	<b>\$3,285,042</b>	<b>\$28</b>	<b>\$10,574,827</b>

**Table 3. 260E Withholding Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Withholding Tax	598	\$41,836,042
<b>Total</b>	<b>598</b>	<b>\$41,836,042</b>

**Table 3a. 260E Income Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	53	\$4,521,215	\$1,403,547	\$5,924,762	\$1,885,350	\$24,588	\$4,016,156
Individual Income Tax	1,181	\$2,171,742	\$1,546,452	\$3,718,532	\$1,651,307	\$0	\$2,070,596
<b>Total</b>	<b>1,234</b>	<b>\$6,692,957</b>	<b>\$2,949,999</b>	<b>\$9,643,294</b>	<b>\$3,536,657</b>	<b>\$24,588</b>	<b>\$6,086,752</b>

**Historic Claims Table by Fiscal Year:**

**Table 4. 260E Tax Credit  
Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2007	\$42,488,505
2008	\$46,523,898
2009	\$44,554,313

**Expected Future Claims by Fiscal Year:**

**Table 5. 260E Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$46,939,670
2011	\$49,452,735
2012	\$52,100,345
2013	\$54,889,702
2014	\$57,828,398

**Estimated Timing of Claims and Impact of Potential Law Change:**

Because of the extended contracts based upon which these credits are claimed, any legislative change to this program for the 2010 tax year will likely have a minimal impact on fiscal year 2011 or fiscal year 2012 claims.

## Iowa Jobs Training Program (260F)

### Iowa Department of Economic Development and the Department of Education

**Description:** The Iowa Jobs Training Program (260F) provides funds to support job training services to current employees of eligible businesses located in Iowa. Job training services are defined as any training needed to enhance the performance of a business' employees. A business must be engaged in interstate or intrastate commerce for the purpose of manufacturing, processing, assembling products, warehousing, wholesaling, or conducting research and development. A business which provides services must have customers outside of Iowa. Within the 36 month period prior to the date of applying for program services, a business cannot have closed or reduced its employment base by more than 20 percent at any of its other business sites in Iowa in order to relocate substantially the same operation to another area of the state.

Eligible businesses must work with their local Iowa community college to apply/access 260F funds based upon the availability of funds. The college will also assist the business assess training needs, develop a training plan, complete the application and contract, provide training and monitor use of funds. Individual business sites are eligible for maximum awards of \$25,000 per training project. A business site is eligible for a maximum of \$50,000 in program assistance during a three-year period. Training projects costing \$5,000 or more require a 25 percent cash match for the business. Training projects costing less than \$5,000 do not require a business cash match.

**Year Enacted:** 1992

**Effective Date:** July 1, 1992

**Legislative Act:** Senate File

**Code Citation(s):** Section 260F

**Sunset Date:** None

#### **Major Provisions:**

**Awarded or Automatic** – Awarded

**Transferable** – No

**Refundable** – No

**Carry Forward** – Yes

**Benefits and Costs:** A \$4,000,000 annual allocation of withholding dollars diverted from 260E goes to the Workforce Training Fund for the purpose of this program. It consists of all repayments of loans or other awards or recaptures of awards, and earned interest, including interest earned on program funds held by the community colleges. \$2.5 million is allocated to community colleges using the distribution formula established in Iowa Code section 260C.18; \$1 million is allocated to high technology apprenticeship programs; \$300,000 is allocated to business network training projects. The community colleges can also use funds from their Grow Iowa Values Fund (GIVF) allocations for 260F training projects. The IDED is not involved in the review/approval of applications for 260F projects funded through the GIVF.

**Information Disclosure:** Program information is available on the IDED website.

Leanna Gerald, Program Manager, can be contacted about Applicant award information.

The community college and the business enter into a contract that includes the terms in the event of default on the project. The business completes a performance report following completion of the training. The report is not required by code or administrative rules.

Table 1. 260F Training Results by Fiscal Year

260F

Fiscal Year	Number of Projects Awarded	Number of Employees Trained	Number of Employees Completing Training	Training Dollars Awarded
FY09	219	7089	894	\$2,846,552.00
FY08	237	6406	4336	\$2,918,131.00
FY07	211	4996	5010	\$2,732,004.00
FY06	218	6203	8504	\$2,727,651.00
FY05	193	4901	7539	\$2,351,594.00

Community College Consortium

Fiscal Year	Number of Projects Awarded	Number of Employees Trained	Number of Employees Completing Training	Training Dollars Awarded
FY09	3	246	0	\$94,100.00
FY08	11	356	108	\$251,663.00
FY07	8	183	69	\$134,967.00
FY06	12	374	432	\$295,573.00
FY05	17	559	755	\$448,337.00

Community College Business Network

Fiscal Year	Number of Projects Awarded	Number of Employees Trained	Number of Employees Completing Training	Training Dollars Awarded
FY09	2	442	0	\$370,736.00
FY08	0	0	0	\$0.00
FY07	3	387	177	\$351,432.00
FY06	3	703	1869	\$300,000.00
FY05	4	403	535	\$250,000.00



#### Apprenticeship

Fiscal Year	Number of Projects Awarded	Number of Employees Trained	Number of Employees Completing Training	Number of Journeyperson	Training Dollars Awarded
FY09	23	1607	0	0	\$777,160.00
FY08	36	2061	2537	368	\$1,037,399.00
FY07	39	1960	2576	443	\$985,082.00
FY06	39	2124	2552	453	\$996,653.00
FY05	44	2319	2573	499	\$956,577.00

**Table 2. Total GIVF Funds Used for 260F**

Fiscal Year	Total Funds Expended
2007	\$2,458,308
2008	\$2,329,360
2009	\$2,299,118

**Oversight Responsibility:** The 260 F program is administered by the community colleges.

The community colleges work with eligible businesses to assess training needs, submit applications and prepare the training contracts. Businesses are reimbursed by the community college for training expenses.

The IDED reviews and approves applications, processes the colleges' requests for release of funds and approves any training contract modifications. Two IDED staff members review the applications and score according to the criteria in the administrative rules. The application must obtain 65 out of 100 points. If the application is not complete or all the answers not fully completed, we contact the community college for more information. We will not approve an application if the company does not meet the company eligibility guidelines. This is normally a question of if a company is providing professional services which make them ineligible.

**Table 4. 260F Tax Credit Expected Claims by Fiscal Year**

Fiscal Year	Total
2010	\$4,000,000
2011	\$4,000,000
2012	\$4,000,000
2013	\$4,000,000
2014	\$4,000,000

#### **Estimated Timing of Claims and Impact of Potential Law Change:**

Any legislative change to this program for the 2010 tax year will likely have a minimal impact on fiscal year 2011 or fiscal year 2012 claims.

# Minimum Tax Credit

## Iowa Department of Revenue

### Description:

A taxpayer may be eligible for the minimum tax credit if they paid Iowa minimum tax in previous years based on tax preferences and adjustments. The credit is limited to the extent the regular tax liability less all other nonrefundable credits exceeds the alternative minimum tax for a tax year.

The credit may be claimed against individual income tax, corporate income tax, or franchise tax.

**Year Enacted:** 1989

**Effective Date:** retroactive to January 1, 1987

**Legislative Act:** Senate File 186

**Code Citation(s):** Section 422.11B, Section 422.33 (7), Section 422.60 (3)

**Sunset Date:** None

### Major Provisions:

**Awarded or Automatic** – Automatic

**Transferable (if yes, how many times)** – No

**Refundable** – No

**Carry Forward** – Yes

**Benefits (including Return on Investment) and Costs:** This credit provides a means for taxpayers to recoup excess tax paid for years when because of preference items they were subject to the Iowa minimum tax. This credit effectively provides a means of tax averaging over several years.

Return on investment is not meaningful for this tax credit.

**Information Currently Disclosed to the Public about the Tax Credit:** Information on the number of credit claims and the aggregate amount of tax credit claims is published in the Annual Tax Credit Claims Report beginning with the 2006 tax year. Prior to that time no information on taxpayers that claimed this credit was available. The 2006 report is available on the Department's Web site. No information by taxpayer is publicly available. Release of individual taxpayer information is prohibited by State law.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

## Award Details by Tax Year:

**Table 1. Minimum Tax Credit Award Details by Tax Year**

Tax Year	Number	Average	Minimum	Maximum	Total
2006	3,984	\$986	\$0	\$289,891	\$3,928,465
2007	5,521	\$984	\$0	\$337,388	\$5,431,612
2008	7,299	\$651	\$0	\$292,507	\$4,752,381

Note: These credit amounts are referred to as awards because they account for the full amount of the credit reported by the taxpayer as opposed to the potentially lower amount of the non-refundable credit that the taxpayer was able to claim against tax liability.

## Claims Tables by Tax Type for 2006 and 2007 Tax Years:

**Table 2. Minimum Tax Credit Claim Table for Tax Year 2006**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	75	\$8,391,704	\$153,713	\$8,545,417	\$2,529,599	\$0	\$6,023,823
Individual Income Tax	3,905	\$4,393,750	\$3,774,752	\$8,491,098	\$1,654,466	\$0	\$7,082,579
Total	3,980	\$12,785,454	\$3,928,465	\$17,036,515	\$4,184,065	\$0	\$13,106,402

**Table 3. Minimum Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	79	\$3,362,936	\$1,180,181	\$4,543,117	\$3,213,398	\$0	\$1,349,027
Individual Income Tax	5,428	\$1,901,707	\$4,251,431	\$6,154,924	\$1,180,234	\$0	\$4,975,151
Total	5,507	\$5,264,643	\$5,431,612	\$10,698,041	\$4,393,632	\$0	\$6,324,178

Note: The number of claims in Table 1 can differ from the number of taxpayers in Tables 2 and 3 if a taxpayer makes more than one claim to the credit in a tax year.

## Expected Future Claims by Fiscal Year:

No future claims estimates are made for this administrative credit.

# Motor Vehicle Fuel Tax Credit

## Iowa Department of Revenue

### Description:

An income tax credit is allowed for the amount of Iowa motor fuel tax paid relating to purchases for off-road use made by individuals and corporations. This credit is allowed for taxpayers who do not have a motor fuel refund permit.

The credit may be claimed against either individual income tax or corporate income tax.

**Year Enacted:** Unknown

**Effective Date:** January 1, 1975

**Legislative Act:** Unknown

**Code Citation(s):** Sections 422.110 and 422.111

**Sunset Date:** None

### Major Provisions:

**Awarded or Automatic** – Automatic

**Transferable (if yes, how many times)** – No

**Refundable** – Yes

**Carry Forward** – Yes

**Benefits (including Return on Investment) and Costs:** This credit provides a mechanism for individuals and businesses that pay motor fuel tax on fuel used for off road purposes to receive a refund of the tax. All of Iowa motor fuel taxes are dedicated to transportation purposes. They are not General Fund revenues. Fuel purchased for off-road purposes is subject to the State sales tax. The General Fund is back filled from the Road Use Tax Fund for the amounts of the motor fuel tax credit claimed on individual income tax and corporate income tax returns.

Return on investment is not meaningful for this tax credit.

**Information Currently Disclosed to the Public about the Tax Credit:** Information on the number of credit claims and the aggregate amount of tax credit claims is published in the Annual Individual Income Tax Statistical Report. Copies of this report back to tax year 1997 are available on the Department's Web site. Similar summary information on credit claims made against corporate income tax is not publicly available. No information by taxpayer is publicly available. Release of individual taxpayer information is prohibited by State law.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

**Claim Details by Tax Year:****Table 1. Motor Vehicle Fuel Tax Credit by Tax Year**

<b>Tax Year</b>	<b>Number</b>	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Total</b>
2005	33,378	\$139	\$1	\$23,921	\$4,654,235
2006	32,630	\$139	\$1	\$25,425	\$4,532,169
2007	31,383	\$136	\$1	\$29,547	\$4,260,305

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:****Table 2. Motor Vehicle Fuel Tax Credit Claim Table for Tax Year 2006**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Corporate Income Tax</b>	1,815	\$650,790
<b>Individual Income Tax</b>	30,815	\$3,881,379
<b>Total</b>	32,630	\$4,532,169

**Table 3. Motor Vehicle Fuel Tax Credit Claim Table for Tax Year 2007**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Corporate Income Tax</b>	1,725	\$553,261
<b>Individual Income Tax</b>	29,658	\$3,707,044
<b>Total</b>	31,383	\$4,260,305

Note: The number of claims in Table 1 can differ from the number of taxpayers in Tables 2 and 3 if a taxpayer makes more than one claim to the credit in a tax year.

**Expected Future Claims by Fiscal Year:**

No future claims estimates are made for this administrative credit.

# Renewable Energy Tax Credit

## Iowa Utilities Board

### Description:

The Renewable Energy Tax Credit is available for a producer or purchaser of energy from an eligible renewable energy facility approved by the Iowa Utilities Board. A power-purchase agreement is signed between the purchaser and producer which sets forth which party will receive the tax credit.

A renewable energy facility includes a wind energy conversion facility, a biogas recovery facility, a biomass conversion facility, a methane gas recovery facility, or a solar energy conversion facility. The facility must be located in Iowa and placed in service between July 1, 2005, and January 1, 2012. A producer or purchaser of renewable energy may receive renewable energy tax credit certificates for a 10-year period for each eligible renewable energy facility. Renewable energy tax credit certificates shall not be issued for renewable energy purchased after December 31, 2021.

Participants in the program receive renewable energy tax credits equal to \$0.015 per kilowatt-hour of electricity, or \$4.50 per million British thermal units of heat for a commercial purpose, or \$4.50 per million British thermal units of methane gas or other biogas used to generate electricity, or \$1.44 per one thousand standard cubic feet of hydrogen fuel generated by and purchased from an eligible renewable energy facility.

The credit may be claimed against corporate income, individual income, franchise, insurance premium, sales and use, and replacement taxes.

**Year Enacted:** 2005

**Effective Date:** July 1, 2005

**Legislative Act:** Senate File 390

**Code Citation(s):** Section 476C, Section 476.48, Section 422.11J, Section 422.33 (16), Section 422.60 (8), Section 432.12E, Section 423.4 (4), Section 437A.17B

**Sunset Date:** December 31, 2022

### Major Provisions:

**Awarded or Automatic** – Awarded

**Transferable** – Once

**Refundable** – No: individual income tax, corporate income tax, franchise tax, insurance premium tax; Yes: Sales tax, utility replacement tax

**Carry Forward** – Yes, seven years

### Benefits (including Return on Investment) and Costs:

The tax credit program is in its fourth year of existence. According to the Iowa Department of Revenue, a tax credit program typically needs to be in existence for at least five years before a meaningful return on investment study can be conducted. These studies are normally conducted or overseen by the Iowa Department of Revenue.

Accordingly, the Iowa Utilities Board has no information relating to the return on investment for this program.

Regarding program benefits and costs based on current facilities:

Benefits – The Renewable Energy Tax Credit Program has so far contributed to the development of 35.7 MW of wind generation capacity and 17.5 MW of biomass generation capacity.

Costs – For the 35.7 MW of wind generation capacity (assumed to generate at a capacity factor of 34%), the potential 10-year cost of renewable energy tax credits is \$16,000,000.<sup>1</sup> For the 17.5 MW of biomass generation capacity (assumed to produce at full capacity), the potential 10-year cost of renewable energy tax credits is \$22,995,000<sup>2</sup>

### **Information Currently Disclosed to the Public about the Tax Credit:**

The Iowa Utilities Board (IUB) has a Web page titled “Renewable Energy Tax Credits,” with information about the Renewable Energy Tax Credit program under Iowa Code Chapter 476C.<sup>3</sup> The Web page provides:

- A brief description of the 476C program, with a link to the current version of Iowa Code Chapter 476C;
- Information about applying for program eligibility, including a link to the Iowa Utilities Board’s rules on the eligibility application processes under Iowa Code Chapter 476C (199 IAC 15.19);
- A link to the IUB’s list of applicants with approved eligibility and those awaiting eligibility approval;
- Information about applying for the renewable energy tax credits, including a link to the IUB’s rules on the tax credit application process under Iowa Code Chapter 476C (199 IAC 15.21).

### **Oversight Responsibility and Description of Oversight/Regulation Process:**

Department of Revenue and Iowa Utilities Board.

Iowa Utilities Board (IUB) staff conducts two separate reviews for the Renewable Energy Tax Credit program under Iowa Code chapter 476C. First, IUB staff reviews applications for program eligibility, based on the specific criteria set forth in the IUB’s rules (199 IAC 15.19). Eligibility applications are processed in the order received. If the application and proposed facility meet the eligibility criteria, the applicant is notified of eligibility approval and provided additional information regarding statutory deadlines for facility completion. If an eligibility application is filed, but the program has reached its statutory capacity limit, the applicant is notified and placed on a waiting list.

After the facility becomes operational and files an application for the wind or renewable energy tax credit, IUB staff reviews those applications, based on the specific criteria set

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<sup>1</sup> The calculation for the \$16,000,000 is: 35.7 MW \* 1,000 kW per MW \* 8760 hours per year \* 34% estimated generation capacity factor \* \$0.015 tax credit per kWh \* 10 years of tax credit eligibility.

<sup>2</sup> The calculation for the \$22,995,000 is: 17.5 MW \* 1,000 kW per MW \* 8760 hours per year \* \$0.015 tax credit per kWh \* 10 years of tax credit eligibility.

<sup>3</sup> [http://www.state.ia.us/government/com/util/energy/renewable\\_tax\\_credits.html](http://www.state.ia.us/government/com/util/energy/renewable_tax_credits.html)

forth in the IUB's rules (199 IAC 15.21). Following this review, staff prepares a memorandum for the Department of Revenue regarding: 1) the completeness of the application; 2) the facility's eligibility status; and 3) whether the reported energy production and sales seem accurate and eligible for tax credits. IUB staff then forwards the application and memorandum to the Department of Revenue for final processing. Once the application and IUB memorandum are submitted to the Department of Revenue, the IUB's involvement with the application ends, unless there are follow-up questions from the Department of Revenue. The Department of Revenue is responsible for determining tax credit amounts and issuing the tax credit certificates.

A detailed description of the IUB's program eligibility and tax credit application processes was provided as an Appendix to their report. This information is available on the Department of Management website at <http://www.dom.state.ia.us/>

**Recommendation(s):** None at this time.

**Award Details by Award Year (Source: Department of Revenue):**

**Table 1. Renewable Energy Tax Credit Award Details Table**

Award Year	Number	Average	Minimum	Maximum	Total
2007	22	\$67,859	\$12,853	\$363,870	\$1,492,898
2008	25	\$102,808	\$6,237	\$503,982	\$2,570,197

**Claims Tables by Tax Type for 2006 and 2007 Tax Years (Source: Department of Revenue):**

**Table 2. Renewable Energy Tax Credit Claim Table for Tax Year 2006**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	2	\$0	\$960,970	\$960,970	\$960,970	\$0	\$0
Individual Income Tax	4	\$0	\$0	\$0	\$10,148	\$0	\$0
<b>Total</b>	<b>6</b>	<b>\$0</b>	<b>\$960,970</b>	<b>\$960,970</b>	<b>\$971,118</b>	<b>\$0</b>	<b>\$0</b>

**Table 3. Renewable Energy Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	1	\$0	\$214,878	\$214,878	\$214,878	\$0	\$0
Franchise Tax	1	\$0	\$210,170	\$210,170	\$210,170	\$0	\$0
Individual Income Tax	12	\$0	\$2,862	\$2,862	\$17,297	\$0	\$535
<b>Total</b>	<b>14</b>	<b>\$0</b>	<b>\$427,910</b>	<b>\$427,910</b>	<b>\$442,345</b>	<b>\$0</b>	<b>\$535</b>



**Historic Claims Table by Fiscal Year (Source: Department of Revenue):**

**Table 4. Renewable Energy Tax Credit  
Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2007	\$10,148
2008	\$264,797
2009	\$1,598,719

**Expected Future Claims by Fiscal Year (Source: Department of Revenue):**

**Table 5. Renewable Energy Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$3,886,426
2011	\$8,875,077
2012	\$9,579,166
2013	\$9,579,166
2014	\$9,579,166

**Estimated Timing of Claims and Impact of Potential Law Change (Source: Department of Revenue):**

Award year claims are translated into fiscal year liabilities based on the timing of claims observed since tax year 2007 using data collected from the IA 148 Tax Credits Schedule which is filed with tax returns claiming tax credits. Claims are made in the same fiscal year of the award and several subsequent fiscal years because the credit is non-refundable and the seven year carry forward. In addition, the credits can be transferred or issued to fiscal year filers that may delay claims to a later fiscal year. Current estimates suggest 24 percent of claims for this credit are made in the same fiscal year as the award year, and 62 percent are made in the following fiscal year. The remainder of claims are assumed to be made within a four year window from the award year, with those claims equally distributed across years three and four at 7 percent. These numbers will change as more claims data becomes available.

Therefore, 24 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2010, and 62 percent will be attributed to fiscal year 2011.

# Research Activities Tax Credit

## Iowa Department of Revenue

### Description:

Starting in 1985, a credit is available for 6.5 percent of Iowa's apportioned share of qualifying expenditures for increasing research activities. Starting in 2000, taxpayers can elect to take the Alternative Incremental Research Activities Tax Credit in a manner consistent with the federal alternative incremental research credit. The Iowa Research Activities Tax Credit is based on the federal research tax credit, with the Iowa credit based on the ratio of Iowa research expenditures over total research expenditures. The credit is refundable.

The taxpayer can elect each year whether to calculate the credit using the regular or alternative method for Iowa tax purposes.

Taxpayers who are approved by the Department of Economic Development (DED) under the New Jobs and Income Program, the New Capital Investment Program, Enterprise Zone Program, or High Quality Jobs Program may receive a Supplemental Research Activities Tax Credit, which would allow the taxpayer to up to double their credit.

Effective July 1, 2005, an additional \$1 million in Research Activities Tax Credits are available for expenses related to the development and deployment of innovative renewable energy generation components manufactured or assembled in Iowa. These expenses are not eligible for the federal research tax credit. A business eligible for this credit must be approved by the Department of Economic Development. This additional \$1 million is not eligible for the Supplemental Research Activities Tax Credit for businesses approved under the Enterprise Zone Program or the High Quality Jobs Program.

Effective July 1, 2009, an additional \$1 million was made available for Renewable Energy Components Research Activities Credit.

The credit may be claimed against either individual income tax or corporate income tax.

**Year Enacted:** 1983

**Effective Date:** January 1, 1985

**Legislative Act:** Senate File 386

**Code Citation(s):** Section 15.335, Section 422.10, Section 422.33 (5), Section 15A.9 (8), Section 15E.196 (4)

**Sunset Date:** None

### Major Provisions:

**Awarded or Automatic** – Automatic, with Awarded Supplemental

**Transferable (if yes, how many times)** – No

**Refundable** – Yes

**Carry Forward** – No

**Benefits (including Return on Investment) and Costs:** An evaluation study completed in 2008 by the Department of Revenue reported the following findings:

- Thirty-eight states currently have some form of research tax credit. Although Iowa's credit rate falls in the middle of the range offered across the states, Iowa is one of only five states with a refundable credit. For fiscal year 2006, research tax credit claims in Iowa equaled \$7.87 per capita compared to \$3.40 in Minnesota and \$3.32 in Wisconsin, neighboring states with nonrefundable credits.
- For the 2004 tax year, corporations report spending a total of \$764 million on qualified research activities in Iowa, for which these firms received \$33 million in research tax credits from the State, or 4.3 cents of tax credit per dollar spent on research.
- In a comparison with neighboring states, the higher credit percentage in Iowa appeared to increase research spending and patent approvals attributed to the state, but had no effect on the number of scientists and engineers employed in the state.
- In a comparison with other top manufacturing states, the size of the credit percentage in the various states did not appear to affect research spending, patent approvals attributed to the state, or the number of scientists and engineers employed in the state.

The return on investment from this tax credit cannot be quantified at this time. To be able to perform this type of analysis would require detailed information on research expenditures and resulting new products and processes developed by companies that claim the credit.

**Information Currently Disclosed to the Public about the Tax Credit:** Information on the number of credit claims and the aggregate amount of tax credit claims is published in the Annual Tax Credit Claims Report beginning with the 2006 tax year. Prior to that time no information on taxpayers that claimed this credit was available. The 2006 report is available on the Department's Web site. No information by taxpayer is publicly available. Release of individual taxpayer information is generally prohibited by State law. However, beginning with FY 2010 taxpayers that receive more than \$500,000 in research activities credits as a refund payment will be disclosed in a report due by February 15<sup>th</sup> each year.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs. Also, this tax credit was the subject of an evaluation study during FY 2008.

**Recommendation(s):** None at this time

**Claim Details by Tax Year:**

**Table 1. Research Activities Tax Credit and Supplemental Research Activities Tax Credit Claim Details by Tax Year**

<b>Tax Year</b>	<b>Number</b>	<b>Average</b>	<b>Minimum*</b>	<b>Maximum</b>	<b>Total</b>
2002	489	\$51,033	\$1	\$5,968,827	\$24,955,109
2003	694	\$43,498	\$1	\$6,278,531	\$30,187,911
2004	651	\$57,689	\$1	\$8,558,444	\$37,555,643
2005	746	\$59,183	\$1	\$11,887,818	\$44,150,683
2006	888	\$49,763	\$1	\$12,153,041	\$44,189,826
2007	1202	\$39,949	\$1	\$16,781,187	\$48,018,364

Notes: Tax year 2002 through 2005 data from IA 128 and IA 128A forms filed by individual and corporate income taxpayers. Tax year 2006 and later from IA 148 forms.

Regular and supplemental tax credit claims are summed by taxpayer for this table.

\*These small claims reflect pass-throughs of larger claims to the shareholders of LLCs or S corporations.

## Claims Tables by Tax Type for 2006 and 2007 Tax Years:

**Table 2. Research Activities Tax Credit Claim Table for Tax Year 2006**

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	178	\$27,779,429
Individual Income Tax	710	\$2,720,286
<b>Total</b>	<b>888</b>	<b>\$30,499,715</b>

**Table 2a. Supplemental Research Activities Tax Credit Claim Table for Tax Year 2006**

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	26	\$13,187,440
Individual Income Tax	120	\$502,671
<b>Total</b>	<b>146</b>	<b>\$13,690,111</b>

**Table 3. Research Activities Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	169	\$29,483,320
Individual Income Tax	1,033	\$2,510,324
<b>Total</b>	<b>1,202</b>	<b>\$31,993,644</b>

**Table 3a. Supplemental Research Activities Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	29	\$15,500,694
Individual Income Tax	318	\$524,026
<b>Total</b>	<b>347</b>	<b>\$16,024,720</b>

## Historic Claims Table by Fiscal Year:

**Table 4. Research Activities Tax Credit and Supplemental Research Activities Tax Credit Historic Claims by Fiscal Year**

Fiscal Year	Total
2006	\$33,617,024
2007	\$38,192,930
2008	\$42,597,828
2009	\$70,856,654

Note: The majority of the increase in FY 2009 claims is a result of a legislative change that occurred in 2009, pulling claims forward from FY 2010.

### **Expected Future Claims by Fiscal Year:**

**Table 5. Research Activities Tax Credit and Supplemental Research Activities Tax Credit Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$23,268,082
2011	\$52,045,063
2012	\$54,570,365
2013	\$59,442,871
2014	\$66,728,662

Note: The low forecast for FY 2010 is a result of a legislative change that occurred in 2009, shifting claims between 2009 and 2010.

### **Estimated Timing of Claims and Impact of Potential Law Change:**

Observed timing of claims differs between individual and corporate claimants, therefore timing estimates of claims are applied separately. Based on individual income tax claims data available from the IA 148, filed starting with tax year 2006 returns, it is estimated that 75 percent of claims for this credit are made in the first fiscal year following the tax year for which the claim is made and 25 percent are made in the second fiscal year following the tax year. Based on corporate income tax claims data available from the IA 148, it is estimated that 2 percent of claims for this credit are made in the first fiscal year following the tax year for which the claim is made, 34 percent are made in the second fiscal year following the tax year, 62 percent in the third fiscal year after the tax year, and 2 percent are made in the fourth year. These numbers will change as more claims data becomes available.

With the lag in corporate filings and the small share of claims made on individual tax returns, roughly 7 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011, and 42 percent will be attributed to fiscal year 2012. This assumes the credit change would equally impact individual and corporate claims.

# S Corporation Apportionment Tax Credit

## Iowa Department of Revenue

### Description:

Individual resident shareholders of S corporations that conduct business within and outside Iowa can claim a tax credit. The credit is structured so that the S corporation is taxed on the greater of income attributable to Iowa under the single sales factor or actual distributions by the S corporation less federal income tax. The intent is to treat S corporations similar to C corporations who are entitled to apportion income within and without Iowa.

This program went into effect on January 1, 1996. Effective January 1, 2002, the amount of federal income tax deduction attributable to S corporation income was increased from 50 percent to 100 percent.

**Year Enacted:** 1996

**Effective Date:** January 1, 1996

**Legislative Act:** Senate File 2449, 1996 legislative session

**Code Citation(s):** Section 422.8 (2) (b)

**Sunset Date:** None

### Major Provisions:

**Awarded or Automatic** – Automatic

**Transferable (if yes, how many times?)** – No

**Refundable** – No

**Carry Forward** – No

### Benefits (including Return on Investment) and Costs:

The intent of this credit is to treat S corporations similar to C corporations who are entitled to apportion income within and without Iowa. Prior to 1996 Iowa taxpayers that owned shares of S-corporations were required to pay tax on these investments in the same manner as all other investment income. This credit generally benefits a small number of high income taxpayers. For tax year 2006 the average benefit equaled \$20,989 and for tax year 2007 the average benefit equaled \$15,608.

For tax year 2006, \$43.6 million (87.9%) of credits were claimed by taxpayers with adjusted gross income of at least \$1 million. For tax year 2007, \$32.5 million (85.4%) of credits were claimed by taxpayers with adjusted gross income of at least \$1 million.

Return on investment cannot be quantified for this tax credit at this time. Such a computation would require considerable information on the ownership and scope of business engaged in by the S corporations. Also, information on how beneficiaries invested their tax savings would be required.

**Information Currently Disclosed to the Public about the Tax Credit:** Information on the number of credit claims and the aggregate amount of tax credit claims is published in the Annual Tax Credit Claims Report beginning with the 2006 tax year. Prior to that time no information on taxpayers that claimed this credit was available. The 2006 report is

available on the Department's Web site. No information by taxpayer is publicly available. Release of individual taxpayer information is prohibited by State law.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

#### **Award Table Details by Tax Year:**

**Table 1. S-Corporation Apportionment Tax Credit Award Details by Tax Year**

<b>Tax Year</b>	<b>Number</b>	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Total</b>
<b>2006</b>	2,366	\$20,989	\$0	\$5,868,259	\$49,660,092
<b>2007</b>	2,458	\$15,608	\$0	\$3,023,399	\$38,364,412

Note: These credit amounts are referred to as awards because they account for the full amount of the credit reported by the taxpayer as opposed to the potentially lower amount of the non-refundable credit that the taxpayer was able to claim against tax liability.

#### **Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

**Table 2. S-Corporation Apportionment Tax Credit Claim Table for Tax Year 2006**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount Carried Forward from Previous Tax Year</b>	<b>Amount of New Tax Credits for Current Tax Year</b>	<b>Total Amount of Tax Credits for Current Year</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>	<b>Amount of Expired Tax Credits</b>	<b>Amount of Tax Credits Carried Forward to Next Tax Year</b>
<b>Individual Income Tax</b>	2,254	\$0	\$49,660,092	\$49,660,092	\$49,569,071	\$151,235	\$0
<b>Total</b>	2,254	\$0	\$49,660,092	\$49,660,092	\$49,569,071	\$151,235	\$0

**Table 3. S-Corporation Apportionment Tax Credit Claim Table for Tax Year 2007**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount Carried Forward from Previous Tax Year</b>	<b>Amount of New Tax Credits for Current Tax Year</b>	<b>Total Amount of Tax Credits for Current Year</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>	<b>Amount of Expired Tax Credits</b>	<b>Amount of Tax Credits Carried Forward to Next Tax Year</b>
<b>Individual Income Tax</b>	2,358	\$0	\$38,364,412	\$38,364,412	\$38,154,734	\$241,328	\$0
<b>Total</b>	2,358	\$0	\$38,364,412	\$38,364,412	\$38,154,734	\$241,328	\$0

Note: The number of claims in Table 1 can differ from the number of taxpayers in Tables 2 and 3 if a taxpayer makes more than one claim to the credit in a tax year.

#### **Expected Future Claims by Fiscal Year:**

Future credit claims have not been estimated for this administrative tax credit. Because S corporation income varies with the condition of the national economy the impact of the credit can be expected to also vary from year-to-year. However, the average for the two years for which we have data is \$44.0 million.



# School Tuition Organization Tax Credit

## Iowa Department of Revenue

### Description:

A School Tuition Organization (STO) Tax Credit is available for 65 percent of the amount of a voluntary cash contribution made by a taxpayer to a STO. The contribution cannot be used for the direct benefit of any dependent of the taxpayer or any other student designated by the taxpayer. There is no limit to what an individual taxpayer contributes, but if a STO exceeds their allotted amount of tax credits, it is the organization's responsibility to prorate the credits appropriately.

A school tuition organization must be a charitable organization in Iowa that is exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code and allocates at least 90 percent of its annual revenue in tuition grants for children who reside in Iowa to allow them to attend a qualified school of their parents' choice. The STO must represent more than one school, and can only provide tuition grants to eligible students who are members of households whose annual income does not exceed an amount equal to three times the most recently published federal poverty guidelines published by the U.S. Department of Health and Human Services.

The STO must initially register with the Department of Revenue and must provide verification of 501(c)(3) status, a list of schools the organization serves, and the names and addresses of the board of directors of the organization. Once the organization has registered, it is not required to subsequently register unless the schools it serves changes.

Each school served by a school tuition organization must annually submit a participation form to the Department of Revenue by November 1<sup>st</sup> which provides the certified enrollment as of October 1<sup>st</sup> and the STO that represents the school. A school cannot be represented by more than one STO.

The credit can be claimed against the individual income tax, and beginning in July 1, 2009, the corporate income tax. A STO can only issue 25 percent of its allotted credits to corporate taxpayers.

**Year Enacted:** 2006

**Effective Date:** January 1, 2006

**Legislative Act:** SF 2409

**Code Citation(s):** Section 422.11S, Section 422.33(27)

**Sunset Date:** None

### Major Provisions:

**Awarded or Automatic** – Awarded

**Transferable(if yes, how many times?)** – No

**Refundable** – No

**Carry Forward** – Yes, five years

**Benefits (including Return on Investment) and Costs:** This is the most generous tax credit provided by the State. For 2009, households (8 or more members) with income up to \$111,030 can qualify for scholarships provided by Iowa STOs. Four person households with income up to \$66,150 can qualify for STO scholarships. To a great extent this credit duplicates the tuition and textbook tax credit. There is no way to currently determine that the children of taxpayers that claim the STO tax credit do not benefit from scholarships provided from these funds. When the tax credit was first proposed those that supported it claimed it would pay for itself by reducing the enrollment in public schools. Since the year before enactment of this legislation (2005-2006 academic year) private school enrollment in Iowa has decreased by 3.15 percent, while public school enrollment has decreased by only 0.51 percent.

<b>Award Year</b>	<b>Number of STOs</b>	<b>Enrollment</b>	<b>Credits Issued</b>	<b>Number of Scholarship Recipients</b>	<b>Amount of Scholarships Awarded</b>
<b>2006</b>	9	33,230	\$2,499,904	7,527	\$3,977,969
<b>2007</b>	10	34,697	\$4,886,880	8,737	\$7,472,970
<b>2008</b>	11	35,082	\$6,200,378		

Information about scholarship awards from 2008 will not be received until January, 2010. There is a one year lag between when the funds are collected and the scholarships distributed.

Return on investment is not meaningful for this tax credit. When the credit was proposed the argument was made that this credit would reduce public school enrollment and thus reduces General Fund appropriations under the School Aid Formula. This does not appear to be the case.

**Information Currently Disclosed to the Public about the Tax Credit:** Information on the number of credit claims and the aggregate amount of tax credit claims is published in the Annual Tax Credit Claims Report beginning with the 2006 tax year. Prior to that time no information on taxpayers that claimed this credit was available. The 2006 report is available on the Department's Web site. No information by taxpayer is publicly available. Release of individual taxpayer information is prohibited by State law.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The Department of Revenue allocates the tax credit cap among qualified School Tuition Organizations (STOs) each year. The STOs then allocate their portions of the total capped amount to individual contributors and issues tax credit certificates to these individuals and corporations. The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

**Award Details by Award Year:****Table 1. School Tuition Organization Tax Credit Award Details by Award Year**

<b>Award Year</b>	<b>Number</b>	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Total</b>
<b>2006</b>	1,125	\$2,222	\$13	\$113,750	\$2,499,904
<b>2007</b>	1,850	\$2,642	\$10	\$97,500	\$4,886,880
<b>2008</b>	2,830	\$2,191	\$12	\$97,500	\$6,200,378

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:****Table 2. School Tuition Organization Tax Credit Claim Table for Tax Year 2006**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount Carried Forward from Previous Tax Year</b>	<b>Amount of New Tax Credits for Current Tax Year</b>	<b>Total Amount of Tax Credits for Current Year</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>	<b>Amount of Expired Tax Credits</b>	<b>Amount of Tax Credits Carried Forward to Next Tax Year</b>
<b>Individual Income Tax</b>	1,087	\$0	\$2,401,402	\$2,401,402	\$2,188,847	\$0	\$232,667
<b>Total</b>	1,087	\$0	\$2,401,402	\$2,401,402	\$2,188,847	\$0	\$232,667

**Table 3. School Tuition Organization Tax Credit Claim Table for Tax Year 2007**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount Carried Forward from Previous Tax Year</b>	<b>Amount of New Tax Credits for Current Tax Year</b>	<b>Total Amount of Tax Credits for Current Year</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>	<b>Amount of Expired Tax Credits</b>	<b>Amount of Tax Credits Carried Forward to Next Tax Year</b>
<b>Individual Income Tax</b>	1,820	\$211,818	\$4,674,021	\$4,885,839	\$4,348,832	\$0	\$544,640
<b>Total</b>	1,820	\$211,818	\$4,674,021	\$4,885,839	\$4,348,832	\$0	\$544,640

**Historic Claims Table by Fiscal Year:****Table 4. School Tuition Organization Tax Credit Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2007	\$1,894,293
2008	\$3,922,261
2009	\$5,261,109

**Expected Future Claims by Fiscal Year:****Table 5. School Tuition Organization Tax Credit  
Expected Claims by Fiscal Year**

Fiscal Year	Total
2010	\$6,678,960
2011	\$7,033,613
2012	\$7,143,203
2013	\$7,188,660
2014	\$7,211,268

**Estimated Timing of Claims and Impact of Potential Law Change:**

Award year claims are translated into fiscal year liabilities based on the timing of claims observed since tax year 2006 using data collected from the IA 148 Tax Credits Schedule which is filed with tax returns claiming tax credits. Claims are made in the fiscal year following the award and several subsequent fiscal years because the credit is non-refundable with a five-year carry forward. Current estimates suggest 72 percent of claims for this credit are made in the fiscal year following the award year, 17 percent are made in the second fiscal year, and 3 percent are made in the third fiscal year. It is assumed that only 96 percent of the awarded credits will be utilized before expiration, therefore the remaining 4 percent of credits are assumed to be made in years four and five at 2 percent each year.

Therefore, 72 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011, and 17 percent will be attributed to fiscal year 2012.

# Targeted Jobs Tax Credit from Withholding

## Iowa Department of Economic Development

### Description:

A withholding tax credit is available to employers who enter into an agreement with pilot project cities approved by the Department of Economic Development (DED). There are four pilot project cities, each of which must contain three or more census tracts, and are approved by DED. One city is in a county bordering South Dakota, one city is in a county bordering Nebraska, and two cities are in counties bordering a state other than South Dakota or Nebraska.

Current pilot project cities include: Sioux City, Council Bluffs, Burlington, Keokuk and Fort Madison. Because Keokuk and Fort Madison are in the same county and have a total population of fewer than 45,000, they are considered as one pilot city due to 2007 changes to legislation.

A pilot project city must enter into a withholding agreement with an employer. An agreement cannot be entered into with a business currently located in Iowa unless the business either creates ten new jobs, each paying a wage at least equal to the average county wage, or makes a qualifying investment of at least \$500,000 within an urban renewal area in the city. The withholding agreement may have a term of up to ten years. A copy of the withholding agreement must be provided to the Department of Revenue. A pilot project city cannot enter into a withholding agreement with an employer after June 30, 2013.

The withholding credit is equal to 3 percent of the gross wages paid by the employer to each employee under the withholding agreement. If the amount of withholding is less than 3 percent of the gross wages paid, the employer shall receive a credit against other withholding taxes due or may carry the credit forward for up to ten years. The employer shall remit the amount of the credit quarterly to the pilot project city, and the city must use this amount for an urban renewal project related to the employer. The employee whose wages are subject to a withholding agreement will receive full credit for the amount withheld when filing their individual income tax returns. The amount of tax credits awarded cannot exceed the qualifying investment.

If the employer no longer meets the requirements of the withholding agreement, the agreement is terminated and the tax credit will also cease. However, if the employer met the number of new jobs created under the agreement and subsequently the number of jobs falls below that number, the employer still meets the terms of the withholding agreement until eighteen months after the date of the decrease in the number of new jobs.

An employer may enter into in an Iowa Industrial New Jobs Tax Credit from Withholding agreement under section 260E.5 or a Supplemental New Jobs Tax Credit from Withholding agreement under section 15E.197 (or section 15.331, Code 2005, relating to the New Jobs and Income Program) at the same time as the employer is participating in a withholding agreement with a pilot project city. The credits under sections 260E.5,

15E.197 or 15.331 are collected and disbursed first to the community college before the withholding is collected and disbursed to a pilot project city.

The credit may be claimed against withholding tax.

**Year Enacted:** 2006

**Effective Date:** October 1, 2006

**Legislative Act:** House File 2731; 2006 Acts, ch 1141, §1; 2007 Acts, ch 2, §1, 2; 2007 Acts, ch 126, §63; 2008 Acts, ch 1122, §15, Referred to in § 15.104

**Code Citation(s):**

Section 403.19A, Code of Iowa (program description)

Section 422.16, Code of Iowa (withholding tax)

**Sunset Date:** June 30, 2013

**Major Provisions:**

**Awarded or Automatic** – N/A – approval of withholding agreement

**Transferable** – Credits may not be sold or traded

**Refundable** – Credits are not refundable

**Carry Forward** – None

**Benefits and Costs:** This program serves as a financial mechanism to provide participating “border” communities a tool to compete for projects that are considering neighboring states (Illinois, Nebraska, South Dakota) as a location for potential investment instead of Iowa.

**Information Disclosure:** Program information is available on the Iowa Department of Economic Development website and in our Agency annual report.

**Oversight Responsibility:** The request for the IDED approval of the withholding agreement between the pilot city and employer is reviewed by the Business Development Finance team. The IDED Fiscal (Administrative) team conducts the appropriate background checks (for state violations) on the employer. After review, the withholding agreement is presented to the IDED Director for decision. The IDED may approve, deny, or suggest changes to the withholding agreement. However, the city is not required to accept the suggested changes. The IDED shall only deny an agreement if the agreement fails to meet program requirements or if the employer is not in good standing as to a prior award or existing agreement with the department. The notice of the IDED’s decision regarding the proposed withholding agreement is drafted and signed by the IDED Business Finance team.

The IDED Business Finance team conducts an annual on-site monitoring visit to verify the documented information maintained by the pilot city. The IDED is required to include in its annual report information about the targeted jobs withholding tax credit program.

The employer must verify with the department of revenue that the withholding tax credit is in accordance with the withholding agreement and provide other information the department of revenue may require. Additionally notice of any withholding agreement shall be provided promptly to the department of revenue and the IDED following its execution between a pilot city and an employer.

The pilot project city must notify the department of revenue of the amount of the targeted jobs withholding tax credit an employer has remitted to the city and will provide other information the department of revenue may require.

The pilot project city submits to department of management and the IDED a description of the activities involving the use of withholding agreement funds. The pilot project city also provides information documenting the total amount of payments and receipts from the special fund under the withholding agreement. The IDED verifies the information provided by the pilot project city.

**Award/Claim Details by Award/Tax Year:**

Total number of approved projects: 29 minus 3 rescinded awards = 26 projects, but only 25 have executed withholding agreements.

Total approved (26 projects) estimated withholding tax credits: \$16,711,969

A withholding agreement can have a term of up to ten (10) years. Of the 25 executed withholding agreements, 24 have executed a ten (10) year withholding agreement, and one has a six (6) year term.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

There were no claims in Tax Year 2006

**Table 3. Targeted Jobs Tax Credit Claim Table for Tax Year 2007**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Withholding Tax</b>	6	\$171,213
<b>Total</b>	6	\$171,213

**Historic Claims Table by Fiscal Year:**

**Table 4. Targeted Jobs Tax Credit Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2007	\$7,949
2008	\$350,472
2009	\$778,285

**Expected Future Claims by Fiscal Year:**

**Table 5. Targeted Jobs Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$1,606,800
2011	\$3,037,160
2012	\$4,312,160
2013	\$5,787,160
2014	\$6,787,160

**Estimated Timing of Claims and Impact of Potential Law Change:**

Because of the extended contracts based upon which these credits are claimed, any legislative change to this program for the 2010 tax year will likely have a minimal impact on fiscal year 2011 or fiscal year 2012 claims.



# Tuition Textbook Tax Credit

## Iowa Department of Revenue

### Description:

This credit is available to individual taxpayers who have one or more dependents attending grades K-12 in an accredited Iowa school. This credit does not apply to home schooling expenses.

**Year Enacted:** 1987

**Effective Date:** January 1, 1987

**Legislative Act:** Senate File 511

**Code Citation(s):** 422.12 (2) and 701 IAC 42.22

**Sunset Date:** none

### Major Provisions:

**Awarded or Automatic** – Automatic

**Transferable (if yes, how many times?)** – No

**Refundable** – No

**Carry Forward** – No

### History of Tuition Textbook Credit:

- 1987 – Tuition textbook deduction and credit for non-itemizers allowed for taxpayers with household incomes of less than \$45,000
- 1996 – Tuition textbook deduction ends with taxpayers receiving a credit equal to 10% of qualified expenditures regardless of income.
- 1998 – Tuition textbook credit revised to include certain extracurricular activities. Allowable percentage increased to 25% of first \$1,000 of expenditures per dependent.

**Benefits (including Return on Investment) and Costs:** This credit benefits households with children in grades kindergarten through 12 with allowable expenses for tuition and textbooks. This credit is currently not means tested. For tax year 2007, approximately 69% of the claimants and 78% of the credits were claimed by households with more than \$50,000 of income.

Return on investment cannot be quantified at this time.

**Information Currently Disclosed to the Public about the Tax Credit:** Information on the number of credit claims and the aggregate amount of tax credit claims is published in the Annual Individual Income Tax Statistical Report. Copies of this report back to tax year 1997 are available on the Department's Web site. No information by taxpayer is publicly available. Release of individual taxpayer information is prohibited by State law.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

**Claim Table Details by Tax Year:**

**Table 1. Tuition Textbook Tax Credit Claim Details by Tax Year**

<b>Tax Year</b>	<b>Number</b>	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Total</b>
2005	113,760	\$134	\$1	\$2,000	\$15,235,560
2006	118,573	\$127	\$1	\$1,862	\$15,054,930
2007	119,997	\$127	\$1	\$2,309	\$15,287,421
2008*	120,462	\$126	\$1	\$1,750	\$15,206,807

Notes: Data from individual income tax return IA 1040.

Tax Year 2008 data are incomplete.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

**Table 2. Tuition Textbook Tax Credit Claim Table for Tax Year 2006**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Individual Income Tax</b>	118,573	\$15,054,930
<b>Total</b>	118,573	\$15,054,930

**Table 3. Tuition Textbook Tax Credit Claim Table for Tax Year 2007**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Individual Income Tax</b>	119,997	\$15,287,421
<b>Total</b>	119,997	\$15,287,421

**Historic Claims Table by Fiscal Year:**

**Table 4. Tuition Textbook Tax Credit Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2006	\$15,235,560
2007	\$15,054,930
2008	\$15,287,421
2009	\$15,206,807

**Expected Future Claims by Fiscal Year:**

**Table 5. Tuition Textbook Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$15,440,882
2011	\$15,841,272
2012	\$16,046,237
2013	\$16,294,753
2014	\$16,591,337

**Estimated Timing of Claims and Impact of Potential Law Change:**

Nearly all claims for the Tuition and Textbook Tax Credit are made on the IA 1040 filed between January and April following the tax year.

Therefore, 100 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011.

# Venture Capital Tax Credit – Iowa Fund of Funds

## Iowa Department of Revenue

### Description:

A contingent tax credit is allowed for investments made into the Iowa fund of funds (IFOF). The tax credit is only allowed to the extent that the actual rate of return on these investments does not meet the rate of return guaranteed to investors. The Iowa Capital Investment Corporation (ICIC) was created to provide governance for the fund. Iowa banks, insurance companies, utilities, and other investors were expected to contribute up to \$100 million to the fund in exchange for contingent tax credits.

Actual credits are awarded only when investors present mature investment certificates and the board certifies that the return on their investment is lower than a guaranteed rate of return set by the board. Then, the board will issue a tax credit certificate for the difference between the actual rate of return and the guaranteed rate of return. The first certificate for this program was issued in 2005, so the first possible year this credit could be claimed would be in tax year 2010.

The credit can be claimed against the corporate income, individual income, franchise, insurance premium, and moneys and credits taxes.

**Year Enacted:** 2002

**Effective Date:** January 1, 2002

**Legislative Act:** House File 2078

**Code Citation(s):** Section 15E.61 through Section 15E.69, Section 422.11Q, Section 422.33 (21),

Section 422.60, Section 432.12I, Section 533.329 (j)

**Sunset Date:** Total lifetime cap of \$100 million in awards.

### Major Provisions:

**Awarded or Automatic** – Awarded

**Transferable (if yes, how many times?)** – Yes, unlimited

**Refundable** – No

**Carry Forward** – Yes, seven years

### Benefits (including Return on Investment) and Costs:

The Iowa Fund of Funds was created to address a perceived lack of venture capital available to Iowa start-up businesses. Through the end of FY 2009 the IFOF has received \$33.75 million in commitments to seven venture funds. These funds have drawn down approximately \$12 million of these commitments. \$11 million in direct investment from the IFOF venture funds has leveraged an additional \$15 million from other sources. The Iowa Capital Investment Corporation publishes an annual report of activities of the IFOF.

Since no credits have been issued at this time return on investment is not meaningful.

**Information Currently Disclosed to the Public about the Tax Credit:** The ICIC has produced annual reports for the years 2007 – 2009 that have been filed with the

Governor, Secretary of the Senate, and the Chief Clerk of the House. The reports provide limited information on companies that have received venture investments. There is no information in these reports on the number of jobs created or investment made in Iowa as a result of this tax credit program.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The Iowa Capital Investment Corporation oversees the issuance of contingent tax credits and reports annually on fund activities to the Governor and the General Assembly.

**Recommendation(s):** None at this time

#### Award Table Details by Award Year:

**Table 1. Venture Capital - Fund of Funds Tax Credit Award Details by Award Year**

Award Year	Number	Average	Minimum	Maximum	Total
2002	0	\$0	\$0	\$0	\$0
2003	0	\$0	\$0	\$0	\$0
2004	0	\$0	\$0	\$0	\$0
2005	0	\$0	\$0	\$0	\$0
2006	0	\$0	\$0	\$0	\$0
2007	0	\$0	\$0	\$0	\$0
2008	0	\$0	\$0	\$0	\$0
2009	0	\$0	\$0	\$0	\$0

#### Claims Tables by Tax Type for 2006 and 2007 Tax Years:

**Table 2. Venture Capital - Fund of Funds Tax Credit Claim Table for Tax Year 2006**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	0	\$0	\$0	\$0	\$0	\$0	\$0
Franchise Tax	0	\$0	\$0	\$0	\$0	\$0	\$0
Individual Income Tax	0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance Premium Tax	0	\$0	\$0	\$0	\$0	\$0	\$0
Total	0	\$0	\$0	\$0	\$0	\$0	\$0

**Table 3. Venture Capital - Fund of Funds Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	0	\$0	\$0	\$0	\$0	\$0	\$0
Franchise Tax	0	\$0	\$0	\$0	\$0	\$0	\$0
Individual Income Tax	0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance Premium Tax	0	\$0	\$0	\$0	\$0	\$0	\$0
Total	0	\$0	\$0	\$0	\$0	\$0	\$0

**Historic Claims Table by Fiscal Year:**

**Table 4. Venture Capital - Fund of Funds Tax Credit  
Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2007	\$0
2008	\$0
2009	\$0

**Expected Future Claims by Fiscal Year:**

**Table 5. Venture Capital - Fund of Funds Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

**Estimated Timing of Claims and Impact of Potential Law Change:**

Based on history, it is assumed that no awards will be made and no credits will be claimed.

Therefore, any legislative change to this credit for tax year 2010 will have no estimated fiscal impact.

# Venture Capital Tax Credit – Qualified Business or Community-Based Seed Capital Fund

## Iowa Department of Revenue

### Description:

A tax credit is allowed for 20 percent of the equity investment made into a qualifying business or community-based seed capital fund approved by the Iowa Capital Investment Board. This credit is focused on “angel investors” who make investments in start-up companies. Investors must apply to the Iowa Capital Investment Board within 120 days of the initial investment.

The credits are capped in the aggregate at \$3 million for investments made in 2002, \$3 million for investments made in 2003 and \$4 million for investments made in 2004. Credits were awarded until the total \$10 million cap was reached in fiscal year 2008. Credits were awarded on a first-come, first-served basis. Tax credits can be claimed after June 30, 2005 until all awarded credits have been claimed.

The credit can be claimed against corporate income, individual income, franchise, insurance premium, and moneys and credits taxes.

### Year Enacted: 2002

**Effective Date:** January 1, 2002

**Legislative Act:** House File 2271

**Code Citation(s):** Section 15E.41 through Section 15E.46, Section 422.11F, Section 422.33 (12), Section 422.60 (5), Section 432.12C, Section 533.329 (h),

**Sunset Date:** The cap on awarded claims was met in fiscal year 2008, so no additional awards can be made.

### Major Provisions:

**Awarded or Automatic** – Awarded

**Transferable (if yes, how many times?)** – No

**Refundable** – No

**Carry Forward** – Yes, five years

**Benefits (including Return on Investment) and Costs:** Twelve community-based seed capital funds have been created. Of the \$10 million provided for under the program, \$1.65 million went to community-based seed capital funds and the remaining \$8.35 million went to qualifying businesses. The total amount of private investment leveraged by these tax credits is \$40 million. There is no readily available information on the number of jobs and investment made by companies that have received investments from these funds. Also, there is no information on the extent to which companies that received investments continue to remain in business.

In terms of complete economic benefits associated with this tax credit a return on investment cannot be quantified at this time. However, as implemented it does appear the credit has leveraged \$4 of private investment for every \$1 of tax credits.

**Information Currently Disclosed to the Public about the Tax Credit:** No information is currently provided to the public on the recipients of tax credits or on the investments made by the community-based seed capital funds.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The Iowa Capital Investment Corporation oversees the awarding of tax credits and reports annually to the Governor and the General Assembly. The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

### Award/Claim Table Details by Award/Tax Year:

**Table 1. Venture Capital - Qualified Business or Community-Based Seed Capital Fund Tax Credit Award Details by Award Year**

Award Year	Community-Based Seed Capital Fund					Qualifying Business				
	Number	Average	Minimum	Maximum	Total	Number	Average	Minimum	Maximum	Total
2005	2	\$58,244	\$45,000	\$71,489	\$116,489	6	\$42,988	\$14,400	\$80,000	\$257,930
2006	5	\$93,651	\$54,776	\$141,000	\$468,255	9	\$27,920	\$1,000	\$68,400	\$251,280
2007	6	\$75,937	\$51,651	\$119,388	\$455,624	8	\$46,156	\$2,000	\$91,668	\$369,248
2008	6	\$40,217	\$6,000	\$100,017	\$241,303	14	\$137,502	\$2,500	\$884,150	\$1,925,025
2009	5	\$23,289	\$619	\$60,800	\$116,443	17	\$215,781	\$1,000	\$1,044,800	\$3,668,271
2010	2	\$126,800	\$3,600	\$250,000	\$253,600	6	\$312,755	\$350	\$1,710,663	\$1,876,533
<b>Total</b>	26	\$63,527	\$619	\$250,000	\$1,651,713	60	\$139,138	\$350	\$1,710,663	\$8,348,287

### Claims Tables by Tax Type for 2006 and 2007 Tax Years:

**Table 2. Venture Capital - Qualified Business or Community-Based Seed Capital Fund Tax Credit Claim Table for Tax Year 2006**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	7	\$514	\$9,991	\$10,505	\$8,123	\$0	\$2,382
Franchise Tax	7	\$0	\$20,503	\$20,503	\$20,503	\$0	\$0
Individual Income Tax	235	\$35,173	\$483,811	\$518,984	\$379,099	\$0	\$139,885
Insurance Premium Tax	1	\$0	\$12,377	\$12,377	\$12,377	\$0	\$0
<b>Total</b>	250	\$35,687	\$526,682	\$562,369	\$420,102	\$0	\$142,267

**Table 3. Venture Capital - Qualified Business or Community-Based Seed Capital Fund Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	5	\$2,382	\$5,652	\$8,034	\$1,555	\$0	\$6,479
Franchise Tax	7	\$0	\$19,160	\$19,160	\$19,160	\$0	\$0
Individual Income Tax	291	\$108,297	\$415,949	\$524,246	\$399,685	\$0	\$124,178
Insurance Premium Tax	2	\$0	\$51,878	\$51,878	\$51,878	\$0	\$0
<b>Total</b>	305	\$110,679	\$492,639	\$603,318	\$472,278	\$0	\$130,657



**Historic Claims Table by Fiscal Year:**

**Table 4. Venture Capital - Qualified Business or Community-Based Seed Capital Fund Tax Credit Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2007	\$339,308
2008	\$444,440
2009	\$409,735

**Expected Future Claims by Fiscal Year:**

**Table 5. Venture Capital - Qualified Business or Community-Based Seed Capital Fund Tax Credit Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$1,618,277
2011	\$2,918,139
2012	\$2,445,335
2013	\$978,134
2014	\$391,254

# Venture Capital Tax Credit – Venture Capital Funds

## Iowa Department of Revenue

### Description:

A tax credit is allowed for 6 percent of the equity investment made in a venture capital fund approved by the Iowa Capital Investment Board. Investors must apply to the Iowa Capital Investment Board by March 31 of the year following the date of the initial investment. A tax credit is not allowed if the investor already received a tax credit for an investment in a community-based seed capital fund.

The credit can be claimed against corporate income, individual income, franchise, insurance premium, and money and credits taxes.

**Year Enacted:** 2002

**Effective Date:** January 1, 2002

**Legislative Act:** House File 2586

**Code Citation(s):** Section 15E.51, Section 422.11G, Section 422.33 (13), Section 422.60 (6), Section 432.12B, Section 533.329 (i)

**Sunset Date:** Total awards under this credit are capped at \$5 million.

### Major Provisions:

**Awarded or Automatic –** Awarded

**Transferable (if yes, how many times?) –** No

**Refundable –** No

**Carry Forward –** Yes, five years

**Benefits (including Return on Investment) and Costs:** There is no information available on the number or identity of companies that have received venture capital investments due to this credit. Therefore, it is not possible to determine what benefits have resulted for the State. The only information currently available is that 14 venture capital funds have been approved by the board to receive investments that qualify for the tax credit and that since 2002 the amount of qualifying investments with these funds has totaled approximately \$2.4 million. How much these funds have placed with Iowa companies is unknown.

**Information Currently Disclosed to the Public about the Tax Credit:** No information is currently provided to the public on the recipients of tax credits or on the investments made by the community-based seed capital funds. The venture capital funds that receive these investments are not required to make any reports to the State on how they invest the funds received from taxpayers claiming the tax credit.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The Iowa Capital Investment Corporation oversees the awarding of tax credits and reports annually to the Governor and the General Assembly. The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

## Award Table Details by Award Year:

**Table 1. Venture Capital - Venture Capital Fund Tax Credit Award Details by Award Year**

Award Year*	Number	Average	Minimum	Maximum	Total
2005	NA	NA	NA	NA	\$200,448
2006	NA	NA	NA	NA	\$384,600
2007	NA	NA	NA	NA	\$185,625
2008	NA	NA	NA	NA	\$764,411
2009	NA	NA	NA	NA	\$620,404
2010	NA	NA	NA	NA	\$62,760
2011	NA	NA	NA	NA	\$148,354
2012	NA	NA	NA	NA	\$217,320
Total	NA	NA	NA	NA	\$2,583,922

\* Credits cannot be claimed until three years following the year of the investment. This award year 2012 corresponds to investment made during calendar year 2009. The 2012 amount includes investments made through October.

## Claims Tables by Tax Type for 2006 and 2007 Tax Years:

**Table 2. Venture Capital - Venture Capital Fund Tax Credit Claim Table for Tax Year 2006**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	1	\$7,974	\$0	\$7,974	\$2,125	\$0	\$5,849
Individual Income Tax	22	\$31,397	\$82,533	\$113,930	\$98,475	\$0	\$15,455
Insurance Premium Tax	1	\$0	\$300,000	\$300,000	\$300,000	\$0	\$0
Total	24	\$39,371	\$382,533	\$421,904	\$400,600	\$0	\$21,304

**Table 3. Venture Capital - Venture Capital Fund Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	2	\$5,849	\$5,500	\$11,349	\$3,000	\$0	\$8,349
Individual Income Tax	41	\$13,052	\$225,710	\$238,762	\$166,388	\$0	\$72,374
Total	43	\$18,901	\$231,210	\$250,111	\$169,388	\$0	\$80,723

## Historic Claims Table by Fiscal Year:

**Table 4. Venture Capital - Venture Capital Fund Tax Credit Historic Claims by Fiscal Year**

Fiscal Year	Total
2007	\$347,814
2008	\$187,305
2009	\$95,700

**Expected Future Claims by Fiscal Year:**

**Table 5. Venture Capital - Venture Capital Fund Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$470,398
2011	\$560,402
2012	\$260,017
2013	\$104,007
2014	\$41,603

**Estimated Timing of Claims and Impact of Potential Law Change:**

Because most of these credits were issued prior to the existence of certificate numbers, most of the claims cannot be attributed to a particular award or award year. Therefore the historic claim data from the IA 148 Tax Credits Schedule collected to-date is not useful in determining timing for these credit claims. As a result, it is simply assumed that 60 percent of available awards, based on award amounts by year and claims already made are claimed each tax year, which translates into claims made in the following fiscal year. These numbers will change as more claims data becomes available. In addition, it is assumed that 60 percent of the awards available in fiscal year 2006 were claimed on tax returns filed prior to the existence of the IA 148.

Therefore, 60 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2011, and 25 percent will be attributed to fiscal year 2012.

# Wage-Benefits Tax Credit

## Iowa Department of Revenue

### Description:

A Wage-Benefits Tax Credit is available to non-retail, non-services businesses that create new jobs related to the location or expansion of a business in Iowa. The credit is effective in tax years ending on or after June 9, 2006 through tax year 2011. If the annual wage and benefits equals at least 130 percent of the average county wage, but less than 160 percent, the tax credit equals 5 percent of the wages and benefits paid. If the annual wage and benefits is 160 percent or greater of the average county wage, the tax credit equals 10 percent of the wages and benefits paid. If the business retains the job, the tax credit will be allowed for the subsequent four years, although the credit is awarded for a specific employee and not for a specific position, so if an employee leaves the position, the credit can no longer be claimed. Companies that receive Wage-Benefits Tax Credits are not eligible to receive benefits from the Iowa Grow Values Fund or the High Quality Job Program, both of which are administered by the Department of Economic Development.

During the 2008 legislative session this tax credit was repealed, but qualified new jobs in existence on June 30, 2008 continue to be eligible to receive the tax credits for the remainder of the five year period. However, a business is not entitled to a tax credit for a qualified new job created on or after July 1, 2008.

The credit may be claimed against corporate income, individual income, franchise, insurance premium, and moneys and credits taxes.

**Year Enacted:** 2005

**Effective Date:** June 9, 2006

**Legislative Act:** HF 868

**Code Citation(s):** Section 15I.1 through Section 15I.5, Section 422.11L, Section 422.33 (18), Section 422.60 (10), Section 432.12G, Section 533.329 (m),

**Sunset Date:** January 1, 2012

### Major Provisions:

**Awarded or Automatic** – Awarded

**Transferable (if yes, how many times?)** – No

**Refundable** – Yes

**Carry Forward** – No

**Benefits (including Return on Investment) and Costs:** During 2007 one hundred and ten companies received credits for 970 jobs with wages and benefits equal to at least 160 percent of the county average and 635 jobs that with wages and benefits between 130 percent and 160 percent of the county average. Also during 2007, 53.3 of the jobs were created by just four companies. During 2008 fifty-three companies received credits for 329 jobs with wages and benefits equal to at least 160 percent of the county average and 220 jobs that with wages and benefits between 130 percent and 160 percent of the county average. During 2009 fifty-six companies received credits for 311 jobs with

wages and benefits equal to at least 160 percent of the county average and 165 jobs that with wages and benefits between 130 percent and 160 percent of the county average.

**Information Currently Disclosed to the Public about the Tax Credit:** Information on the aggregate amount of tax credits awarded is provided in quarterly Tax Credit Contingent Liabilities Reports. Information on tax credit claims aggregated by tax type is provided in Annual Tax Credit Claims Reports beginning with tax year 2006. There is no public disclosure of information on companies that received tax credit awards, on the number of jobs created and maintained, or on the wages and benefits associated with the qualifying jobs.

**Oversight Responsibility and Description of Oversight/Regulation Process:** The Department of Revenue issues the wage-benefits tax credits. Businesses that have applied for the tax credit must have filed an application (form 42-011a) with the Department that provides information both on the business and on each employee for which the tax credit would be claimed. The processing and review of tax credit claims is handled by the Department of Revenue as part of its normal examination and audit programs.

**Recommendation(s):** None at this time

**Award Table Details by Award Year:**

**Table 1. Wage-Benefits Tax Credit Award Details by Award (Fiscal) Year**

<b>Award Year</b>	<b>Number</b>	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Total</b>
<b>2007</b>	214	\$46,729	\$1,881	\$1,002,455	\$9,999,966
<b>2008</b>	85	\$50,528	\$1,953	\$616,739	\$4,294,921
<b>2009</b>	85	\$46,983	\$2,166	\$560,230	\$3,993,538

Note: Taxpayers who were awarded credits during the State fiscal year 2007 but the taxpayers' fiscal year 2006 were allowed to make claims on their 2006 tax returns.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years:**

**Table 2. Wage-Benefits Tax Credit Claim Table for Tax Year 2006**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Corporate Income Tax</b>	40	\$3,658,790
<b>Individual Income Tax</b>	143	\$744,648
<b>Total</b>	183	\$4,403,438

**Table 3. Wage-Benefits Tax Credit Claim Table for Tax Year 2007**

<b>Tax Type</b>	<b>Number of Taxpayers</b>	<b>Amount of Tax Credits Applied in Current Tax Year</b>
<b>Corporate Income Tax</b>	34	\$2,443,668
<b>Franchise Tax</b>	1	\$2,906,186
<b>Individual Income Tax</b>	641	\$1,123,566
<b>Insurance Premium Tax</b>	5	\$250,224
<b>Total</b>	681	\$6,723,644

**Historic Claims Table by Fiscal Year:****Table 4. Wage-Benefits Tax Credit  
Historic Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2007	\$217,959
2008	\$4,723,812
2009	\$6,316,570

**Expected Future Claims by Fiscal Year:****Table 5. Wage-Benefits Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$4,903,304
2011	\$3,817,549
2012	\$3,691,567
2013	\$1,280,687
2014	\$22,389

# Wind Energy Production Tax Credit

## Iowa Utilities Board

### Description:

A qualified facility is defined as a facility that produces electricity from wind, which is located in Iowa, was originally placed in service on or after July 1, 2005, but before July 1, 2012, and is approved by the local board of supervisors and the Iowa Utilities Board. For applications filed on or after March 1, 2008, the facility must also consist of one or more wind turbines connected to a common gathering line which has a combined nameplate capacity of no less than two megawatts and no more than thirty megawatts. For applications filed on or after July 1, 2009, by a private college or university, community college, institution under the control of the State Board of Regents, public or accredited nonpublic elementary or secondary school, or public hospital for the applicant's own use of qualified electricity, the facility must consist of wind turbines with a combined nameplate capacity of three-fourths of a megawatt or greater.

The credit is equal to \$0.01 per kilowatt-hour of electricity sold or generated for on-site consumption. Credits are available for a ten-year period from the initial in-service date of the facility. Facilities must be in service within 18 months of their designation as an eligible facility or the eligibility will be revoked. However, a facility not operational within 18 months due to the unavailability of equipment, may request a 12-month extension attesting to the unavailability of equipment.

**Year Enacted:** 2005

**Effective Date:** July 1, 2005

**Legislative Act:** House File 882

**Code Citation(s):** Section 476B, Section 422.11J, Section 422.33 (16), Section 422.60 (8), Section 423.4 (4), Section 432.12E

**Sunset Date:** 2022

### Major Provisions:

**Awarded or Automatic** – Awarded

**Transferable** – Once

**Refundable** – No: individual income tax, corporate income tax, franchise tax, insurance premium tax; Yes: Sales tax, utility replacement tax

**Carry Forward** – Yes, seven years

### Benefits (including Return on Investment) and Costs:

The tax credit program is in its fourth year of existence. According to the Iowa Department of Revenue, a tax credit program typically needs to be in existence for at least five years before a meaningful return on investment study can be conducted. These studies are normally conducted or overseen by the Iowa Department of Revenue. Accordingly, the Iowa Utilities Board has no information relating to the return on investment for this program at this time.



Regarding program benefits and costs based on current facilities:

Benefits – The Wind Energy Tax Credit program has so far contributed to the development of 21 MW of wind generation capacity.

Costs – For the 21 MW of wind generation capacity (assumed to generate at a capacity factor of 34%), the potential 10-year cost of wind energy tax credits is \$6,255,000.<sup>4</sup>

### **Information Currently Disclosed to the Public about the Tax Credit:**

The Iowa Utilities Board (IUB) has a Web page titled “Renewable Energy Tax Credits,” with information about the Wind Energy Tax Credit program under Iowa Code Chapter 476B.<sup>5</sup> The Web page provides:

- A brief description of the 476B program, with a link to the current version of Iowa Code Chapter 476B;
- Information about applying for program eligibility, including a link to the Iowa Utilities Board’s rules on the eligibility application process under Iowa Code Chapter 476B (199 IAC 15.18);
- A link to the IUB’s list of applicants with approved eligibility and those awaiting eligibility approval;
- Information about applying for the wind energy tax credits, including a link to the IUB’s rules on the tax credit application process under Iowa Code Chapter 476B (199 IAC 15.20).

### **Oversight Responsibility and Description of Oversight/Regulation Process:**

Department of Revenue and Iowa Utilities Board

Iowa Utilities Board (IUB) staff conducts two separate reviews for the Wind Energy Tax Credit program under Iowa Code chapter 476B. First, IUB staff reviews applications for program eligibility, based on the specific criteria set forth in the IUB’s rules (199 IAC 15.18). Eligibility applications are processed in the order received. If the application and proposed facility meet the eligibility criteria, the applicant is notified of eligibility approval and provided additional information regarding statutory deadlines for facility completion. If an eligibility application is filed, but the program has reached its statutory capacity limit, the applicant is notified and placed on a waiting list.

After the facility becomes operational and files an application for wind energy tax credits, IUB staff reviews those applications, based on the specific criteria set forth in the IUB’s rules (199 IAC 15.20). Following this review, staff prepares a memorandum for the Department of Revenue regarding: 1) the completeness of the application; 2) the facility’s eligibility status; and 3) whether the reported energy production and sales seem accurate and eligible for tax credits. IUB staff then forwards the application and memorandum to the Department of Revenue for final processing. Once the application and IUB memorandum are submitted to the Department of Revenue, the IUB’s involvement with the application ends, unless there are follow-up questions from the

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<sup>4</sup> The calculation for the \$6,255,000 is: 21 MW \* 1,000 kW per MW \* 8760 hours per year \* 34% estimated generation capacity factor \* \$0.01 tax credit per kwh \* 10 years of tax credit eligibility.

<sup>5</sup> [http://www.state.ia.us/government/com/util/energy/renewable\\_tax\\_credits.html](http://www.state.ia.us/government/com/util/energy/renewable_tax_credits.html)

Department of Revenue. The Department of Revenue is responsible for determining tax credit amounts and issuing the tax credit certificates.

A detailed description of the IUB's program eligibility and tax credit application processes was provided as an Appendix to their report. This information is available on the Department of Management website at <http://www.dom.state.ia.us/>

**Recommendation(s):** None at this time.

**Award Table Details by Award Year (Source: Department of Revenue):**

No awards have been made to-date.

**Claims Tables by Tax Type for 2006 and 2007 Tax Years (Source: Department of Revenue):**

There have been no awards for the Wind Energy Production Tax Credit that could be claimed in either tax year 2006 or 2007, however, one claim was made in tax year 2007 (see Table 3 below). This erroneous claim has been reported to the Iowa Department of Revenue Compliance Division.

**Table 3. Wind Energy Production Tax Credit Claim Table for Tax Year 2007**

Tax Type	Number of Taxpayers	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	0	\$0	\$0	\$0	\$0	\$0	\$0
Franchise Tax	0	\$0	\$0	\$0	\$0	\$0	\$0
Individual Income Tax	1	\$0	\$9,572	\$9,572	\$9,572	\$0	\$0
Insurance Premium Tax	0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>1</b>	<b>\$0</b>	<b>\$9,572</b>	<b>\$9,572</b>	<b>\$9,572</b>	<b>\$0</b>	<b>\$0</b>

**Historic Claims Table by Fiscal Year (Source: Department of Revenue):**

**Table 4. Wind Energy Production Tax Credit Historic Claims by Fiscal Year**

Fiscal Year	Total
2007	\$0
2008	\$9,572
2009	\$0

The claim in fiscal year 2008 was erroneous and has been reported to the Compliance Division.

**Expected Future Claims by Fiscal Year (Source: Department of Revenue):**

**Table 5. Wind Energy Production Tax Credit  
Expected Claims by Fiscal Year**

<b>Fiscal Year</b>	<b>Total</b>
2010	\$0
2011	\$1,139,727
2012	\$4,041,174
2013	\$4,455,184
2014	\$4,455,184

**Estimated Timing of Claims and Impact of Potential Law Change (Source: Department of Revenue):**

Because no Wind Energy Production Tax Credits have been claimed to-date, award year claims are translated into fiscal year liabilities based on the timing of claims observed for the Renewable Energy Tax Credit since tax year 2007 using data collected from the IA 148 Tax Credits Schedule which is filed with tax returns claiming tax credits. Claims are made in the same fiscal year of the award and several subsequent fiscal years because the credit is non-refundable and the seven year carry forward. In addition, the credits can be transferred or issued to fiscal year filers that may delay claims to a later fiscal year. Current estimates suggest 24 percent of claims for this credit are made in the same fiscal year as the award year, and 62 percent are made in the following fiscal year. The remainder of claims are assumed to be made within a four year window from the award year, with those claims equally distributed across years three and four at 7 percent. These numbers will change as more claims data becomes available.

Therefore, 24 percent of the estimated fiscal impact of any legislative change to this credit for tax year 2010 will be attributed to fiscal year 2010, and 62 percent will be attributed to fiscal year 2011.